



# CAQ Analysis of IAASB Going Concern Comment Letters

March 2024

## CAQ

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## Comment Letters Received re **Proposed International Standard on Auditing 570 (Revised 202X) Going Concern**

On April 26, 2023, the International Auditing and Assurance Standards Board (IAASB) issued for public comment an Exposure Draft, **proposed International Standard on Auditing (ISA) 570 (Revised 202X), Going Concern**. Comments were due August 24, 2023.

**78 comment letters** were submitted in response to the proposal (as of March 13, 2024). The CAQ selected a sample of 49 comment letters to review for the purposes of this analysis.

Stakeholder Type	Submitted Comment Letter	% of Total Comment Letters
Accounting Firms (and Related Groups)	55	71%
Other Regulators/ Standard Setters	19	24%
Academics	1	1%
Other	3	4%
<b>Total</b>	<b>78</b>	<b>100%</b>

## OVERALL THEMES

### 1. There is a Need for Enhanced Coordination with IASB

- + Commenters across stakeholder groups (Accounting Firms and Related Groups, Other Regulators/Standard Setters, and Other commenters) encourage collaboration with the IASB to improve requirements for management related to going concern. Several commenters express concern that the requirements in proposed ISA 570 (ED-570) impose requirements on management because the auditing standards require more than what the existing international accounting standards require of management or are setting financial statement disclosure requirements through auditing standards.

### 2. Support for Enhanced Focus on Risk Assessment and Mixed Views on Scalability

- + Commenters are generally supportive of the enhanced focus on risk assessment in ED-570, although some Accounting Firms and Related Groups express concern that the enhanced risk assessment requirements may blur the role of management and the auditor or imply that the auditor has a responsibility to identify all possible events and conditions.
- + Some commenters (Accounting Firms and Related Groups and Other Regulators/Standard Setters) express concerns about the scalability of the standard, particularly given the requirements to design and perform procedures to evaluate management’s assessment of going concern in all circumstances and evaluate the method, assumptions, and data used in management’s assessment of going concern. These commenters recommend that the auditor’s procedures be directly linked to the auditor’s risk assessment.
- + Other commenters (Accounting Firms and Related Groups, Other Regulators/Standard Setters, and Other commenters) support the enhanced requirements to design and perform audit procedures related to management’s assessment of going concern in all circumstances.

### 3. Support To Explore Enhanced Transparency But Mixed Views on Proposed “Going Concern” Section in the Auditor’s Report

- + Commenters are generally supportive of the IAASB’s desire to explore enhanced transparency about the auditor’s work on going concern.
- + “Going Concern” Section in the Auditor’s Report
  - There were mixed views with some commenters (Accounting Firms and Related Groups, Other Regulators/Standard Setters, and Other commenters) supportive of the proposed requirements in ED-570 to include a “Going Concern” section in the auditor’s report in all circumstances.
  - Other commenters (Accounting Firms and Related Groups, Other Regulators/Standard Setters, Academics, and Other commenters)

## THE WAY WE SEE IT

We believe that the financial reporting framework and auditing standards need to work in concert to drive increased transparency for financial statement users. It should be a high priority for the IASB to consider potential revisions and enhancements to IAS 1 *Presentation of Financial Statements*. We recommend convergence with FASB ASU 2014-15 and believe that enhanced disclosure requirements in IAS 1 would provide beneficial information and transparency to financial statement users.

## THE WAY WE SEE IT

The requirements as proposed are not sufficiently scalable as ED-570 includes certain required procedures that may not be necessary or applicable in all circumstances. Scalability could be enhanced by explicitly linking the design and performance of audit procedures to the auditor’s risk assessment in the requirements of the proposed standard, allowing the auditor to use professional judgment in determining the nature and extent of audit procedures to be performed related to going concern.

are concerned that these new requirements could widen the expectation gap and dilute auditor's reports such that it is not clear when there is a going concern issue. Including a "Going Concern" section of the auditor's report could be misinterpreted as the auditor expressing an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole.

✦ **Additional Disclosure Requirements for Listed Entities When Events or Conditions Have Been Identified (Whether or Not Material Exists)**

- Some Accounting Firms and Related Groups believe that existing KAM reporting requirements are a more appropriate approach to draw attention to close call situations, where appropriate.
- Other commenters (some Accounting Firms and Related Groups, Other Regulators/Standard Setters, and Other commenters) support the proposed reporting requirements in ED-570.

## LOOKING AHEAD

The CAQ will continue to monitor the [IAASB's project on Going Concern](#). The IAASB is currently considering the comments received on ED-570 and according to their [project timeline](#) are targeting final approval of the revisions in December 2024. The Public Company Accounting Oversight Board also has a Going Concern project on their standard setting agenda with an expected proposal in 2024. We encourage the PCAOB to consider how some of the feedback the IAASB received could be incorporated into their proposal later this year. Three takeaways we had from the feedback the IAASB received in response to their proposal:

1. Increased transparency to financial statement users about going concern considerations cannot be solved with an auditing standard alone.
2. Linking the design and performance of audit procedures to the auditor's risk assessment will enable the auditor to use professional judgment when determining and executing their audit response.
3. Facilitating a robust dialogue between auditors and investors to understand what investors are expecting and how changes to the auditing standards could enable auditors to meet those expectations could help the IAASB and PCAOB in finalizing their proposal. The IAASB received no comment letters from investor or investor organizations. However, an academic submitted a comment letter based on research they conducted to understand how investors respond to the changes to the auditor's report proposed in ED-570. The research found that management commentary related to going concern makes a difference for investors. The researchers also found that investors may struggle to distinguish between going concern disclosures about serious issues (like a material uncertainty) versus less serious issues (events or conditions were identified but no material uncertainty exists).

Continue reading for our detailed summary of comment letters selected for review by the CAQ.

## THE WAY WE SEE IT

Increased transparency should be primarily driven by management's disclosures in the financial statements with respect to the basis of accounting used to prepare the financial statements as well as its going concern assessment. We do not agree with the proposed requirements related to the addition of the new "Going Concern" section in the auditor's report for all audits. The requirements as currently proposed could have the unintended consequence of making the auditor's role and the purpose of a financial statement audit less clear.

## COMMENT LETTERS SELECTED FOR REVIEW BY STAKEHOLDER GROUP

Accounting Firms (and Related Groups):

**Bold** text indicates comment letters selected for review.

Ref#	Respondent	Type
1	<b>Accountancy Europe (AE)</b>	Accounting Organization
2	Chartered Accountants of Ireland (CAI)	Accounting Organization
3	Altaf Noor Ali Chartered Accountants (ANA)	Accounting Organization
4	Compagnie Nationale des Commissaires aux Comptes and Conseil National de l'Ordre des Experts-Comptables (CNCC & CNOEC)	Accounting Organization
5	Consiglio Nazionale Dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC)	Accounting Organization
6	<b>ASEAN Federation of Accountants (AFA)</b>	Accounting Organization
7	CPA Australia	Accounting Organization
8	Assirevi	Accounting Organization
9	<b>Grant Thornton International (GT)</b>	Accounting Firm
10	Federation of Accounting Professions (TFAC)	Accounting Organization
11	<b>Center for Audit Quality (CAQ)</b>	Accounting Organization
12	Hong Kong Institute of Certified Public Accountants (HKICPA)	Accounting Organization
13	<b>Chartered Accountants Australia and New Zealand (CAANZ) and the Association of Chartered Certified Accountants (ACCA)</b>	Accounting Organization
14	<b>IFAC Small and Medium Practices Advisory Group (SMPAG)</b>	Accounting Organization
15	<b>RSM International Limited (RSM)</b>	Accounting Firm
16	Institute of Certified Public Accountants of Uganda(ICPAU)	Accounting Organization
17	Institute of Chartered Accountants of Sri Lanka (ICASL)	Accounting Organization
18	<b>Nexia Australia (NAPL)</b>	Accounting Firm
19	Institute of Singapore Chartered Accountants (ISCA)	Accounting Organization
20	Japanese Institute of Certified Public Accountants (JICPA)	Accounting Organization
21	<b>KPMG International Limited (KPMG)</b>	Accounting Firm
22	Austrian Chamber of Tax Advisors and Public Accountants (Kammer der Steuerberater und Wirtschaftsprüfer) (KSW)	Accounting Organization
23	Korean Institute of Certified Public Accountants (KICPA)	Accounting Organization
24	<b>MNP LLP</b>	Accounting Firm
25	Mo Chartered Accountants	Accounting Organization

Ref#	Respondent	Type
26	<b>Nordic Federation of Public Accountants (NRF)</b>	Accounting Organization
27	<b>Pan African Federation of Accountants (PAFA)</b>	Accounting Organization
28	Royal Dutch Institute of Chartered Accountants	Accounting Organization
29	<b>Saudi Organization for Chartered and Professional Accountants (SOCPA)</b>	Accounting Organization
30	South African Institute of Chartered Accountants (SAICA)	Accounting Organization
31	The Malaysian of Certified Public Accountants (MICPA)	Accounting Organization
32	<b>Crowe Global</b>	Accounting Firm
33	<b>PKF International Limited</b>	Accounting Firm
34	<b>PricewaterhouseCoopers International Limited</b>	Accounting Firm
35	The Malta Institute of Accounting	Accounting Organization
36	European Federation of Accountants and Auditors for Small-Medium Enterprises (EFAA for SMEs)	Accounting Organization
37	<b>Crowe LLP</b>	Accounting Firm
38	Chamber of Auditors of the Czech Republic	Accounting Organization
39	Instituto Nacional de Contadores Publicos de Colombia	Accounting Organization
40	<b>EY</b>	Accounting Firm
41	<b>BDO International Limited</b>	Accounting Firm
42	<b>Institute of Chartered Accountants in England and Wales (ICAEW)</b>	Accounting Organization
43	Institute of Chartered Accountants of Scotland (ICAS)	Accounting Organization
44	<b>American Institute of CPAs (AICPA)</b>	Accounting Organization
45	<b>Deloitte</b>	Accounting Firm
46	<b>National Association of State Boards of Accountancy (NASBA)</b>	Accounting Organization
47	Botswana Institute of Chartered Accountants	Accounting Organization
48	<b>Mazars</b>	Accounting Firm
49	<b>CohnReznick LLP</b>	Accounting Firm
50	<b>Instituto Mexicano de Contadores Publicos (IMCP)</b>	Accounting Organization
51	Ibracon - Instituto de Auditoria Independente do Brasil	Accounting Organization
52	California Society of CPAs (CalCPA)	Accounting Organization
53	Institut der Wirtschaftspruefer in Deutschland (IDW)	Accounting Organization
54	Malaysian Institute of Accountants	Accounting Organization
55	Accounting and Finance Association of Australia and New Zealand (AFAANZ)	Accounting Organization

## 1. There is a Need for Enhanced Coordination with IASB

- ✦ There is a need for the IAASB and IASB to collaborate regarding going concern as changes in reporting requirements for management need to be driven by updates to the financial reporting framework rather than auditing standards (ASEAN Federation of Accountants, Grant Thornton, CAQ, RSM, KPMG, SOCPA, EY, ICAEW, Mazars, CohnReznick, and PwC).
- ✦ ED-570 and accounting standards are misaligned and the auditing standards should build on the accounting standards. Auditing standards should not impose financial reporting requirements on management (Accountancy Europe, ACCA, Nexia Australia, NRF, AICPA, and Deloitte).

## 2. Support for the Definition of Material Uncertainty

- ✦ Eighteen commenters generally support the proposed definition of material uncertainty with certain clarifications (below).
  - The clarification of the meaning of “may cast significant doubt” is a key concept and should be moved from the application material into the standard itself (Pan African Federation of Accountants, PKF, and BDO).
  - These terms should be defined by accounting standard setters (as opposed to the IAASB) (AICPA, Deloitte, and PwC). ED-570 should provide greater scalability to different definitions used in the financial reporting frameworks (CAQ).
- ✦ IFAC SMPAG does not support the proposed definitions.

## 3. Support for Enhanced Risk Assessment Requirements

- ✦ Seventeen commenters generally support the enhanced risk assessment requirements in ED-570 and believe that they appropriately build on and align with the IAASB risk assessment standard, ISA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* (ISA 315).
- ✦ While supportive of the emphasis on risk assessment, the requirements as drafted may blur the role of management and the auditor or imply that the auditor has a responsibility to identify all possible events and conditions (CAQ, ACCA, IFAC SMPAG, Nexia Australia, Crowe US, ICAEW, and AICPA).

## 4. Mixed Views on the Requirement to Design and Perform Procedures to Evaluate Management’s Assessment of Going Concern in All Circumstances

- ✦ Notwithstanding whether they support the requirement to design and perform procedures to evaluate management’s assessment of going concern in all circumstances, the standard could be enhanced by more clearly linking the nature, timing, and extent of audit procedures to the auditor’s risk assessment (ASEAN Federation of Accountants, Grant Thornton, CAQ, IFAC SMPAG, RSM, KPMG, MNP, NRF, Pan

There is a need for the IAASB and IASB to collaborate regarding going concern as changes in reporting requirements for management need to be driven by updates to the financial reporting framework rather than auditing standards.



African Federation of Accountants, Crowe US, BDO, AICPA, Deloitte, an Mazars).

- ✦ There are mixed views regarding the requirement to design and perform procedures to evaluate management’s assessment of going concern in all circumstances:
    - Twelve commenters are supportive (Accountancy Europe, Grant Thornton, ACCA, KPMG, SOCPA, Crowe Global, PKF, EY, Deloitte, Cohn Reznick, IMCP, and PwC).
    - Eight commenters are not supportive (ASEAN Federation of Accountants, IFAC SMPAG, RSM, MNP, NRF, Pan African Federation of Accountants, Crowe US, and AICPA).
5. Need to Consider the Scalability of Requirements Related to the Auditor’s Evaluation of the Method, Assumptions, and Data Used in Management’s Assessment of Going Concern
- ✦ The IAASB should consider the scalability of the requirements for less complex entities or entities where management does not need to perform a robust going concern analysis based on the entity’s facts and circumstances (Accountancy Europe, Grant Thornton, CAQ, IFAC SMPAG, KPMG, NRF, Pan African Federation of Accountants, Crowe US, AICPA, Deloitte, Mazars, and PwC).
  - ✦ Notwithstanding feedback regarding the scalability of the requirements, many commenters are generally supportive of the incorporation of key concepts from ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* (ISA 540) related to the evaluation of the method, assumptions, and data used in management’s assessment of going concern in ED-570 (Accountancy Europe, CAQ, ACCA, RSM, KPMG, MNP, NRF, Pan African Federation of Accountants, SOCPA, Crowe Global, PKF, Crowe US, EY, BDO, Deloitte, Mazars, IMCP, and PwC).
6. Support for Enhanced Requirements Regarding Communication with Those Charged with Governance
- ✦ Twenty-one commenters support the enhanced requirements for communicating with those charged with governance.
  - ✦ The standard should specifically include a requirement regarding the timeliness of communications with those charged with governance related to going concern. For example, one commenter recommends that there should be a requirement to communicate with those charged with governance regarding going concern in the planning phase of the audit (IFAC SMPAG, PKF, and BDO).
7. Mixed Views on the Auditor’s Reporting Requirements – “Going Concern” Section in the Auditor’s Report
- ✦ Several commenters generally support the proposed addition to the auditor’s report with certain enhancements to promote clarity and understanding for financial statement users (Accountancy Europe, Pan African Federation of Accountants, SOCPA, Crowe Global, PKF, BDO, ICEW, Deloitte, NASBA, IMCP, and PwC).

The IAASB should consider the scalability of the requirements for less complex entities or entities where management does not need to perform a robust going concern analysis based on the entity’s facts and circumstances.

Many commenters generally support the IAASB's intent to enhance transparency in the auditor's report but do not support the proposed changes to the auditor's report.

- + Many commenters generally support the IAASB's intent to enhance transparency in the auditor's report but do not support the proposed changes to the auditor's report (ASEAN Federation of Accountants, Grant Thornton, CAQ, ACCA, IFAC SMPAG, RSM, Nexia Australia, KPMG, MNP, NRF, Crowe US, EY, AICPA, Mazars, and CohnReznick).
  - + The proposed addition to the auditor's report may be interpreted as the auditor expressing an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole (ASEAN Federation of Accountants, Grant Thornton, ACCA, IFAC SMPAG, RSM, Nexia Australia, KPMG, MNP, and EY).
8. Mixed Views on the Auditor's Reporting Requirements – Additional Disclosure Requirements for Listed Entities When Events or Conditions Have Been Identified (Whether or Not Material Exists)
- + Several commenters support the proposed additional disclosures when events or conditions have been identified (Accountancy Europe, RSM, KPMG, MNP, NRF, Pan African Federation of Accountants, SOCPA, Crowe Global, PKF, BDO, and PwC).
  - + Several commenters do not support the proposed close call auditor's reporting requirements (Grant Thornton, CAQ, ACCA, Nexia Australia, Crowe US, EY, ICAEW, AICPA, Deloitte, Mazars, and CohnReznick).
  - + Several commenters believe that auditors should use existing KAM reporting requirements to draw attention to close call situations, where appropriate (Grant Thornton, CAQ, MNP, Crowe US, EY, ICAEW, AICPA, Deloitte, Mazars, and PwC).
9. Effective Date
- + Twelve commenters believe that an effective date approximately 18 months after approval of the final standard is appropriate (Grant Thornton, ACCA, RSM, KPMG, MNP, Crowe Global, PKF, BDO, AICPA, Deloitte, CohnReznick, and IMCP).
  - + An effective date of 24 months after approval of the final standard would be appropriate (CAQ, IFAG SMPAG, Pan African Federation of Accountants, Crowe US, EY, Mazars, and PwC).
  - + AASB Canada also believes that the effective date should be coordinated with other similar projects including the PIE project and fraud project.



**OTHER REGULATORS/STANDARD SETTERS:**

1	<b>IOSCO Committee</b>
2	<b>Canadian Securities Administrators (CSA)</b>
3	<b>Financial Reporting Council (FRC)</b>
4	<b>International Forum of Independent Audit Regulators (IFIAR)</b>
5	<b>Irish Auditing and Accounting Supervisory Authority (IAASA)</b>
6	<b>Canadian Auditing and Assurance Standards Board (AASB Canada)</b>
7	<b>National Board of Accountants and Auditors - Tanzania</b>
8	<b>Botswana Accountancy Oversight Authority</b>
9	<b>Office of the Auditor General – New Zealand</b>
10	<b>Office of the Auditor General of Manitoba</b>
11	<b>Provincial Auditor of Saskatchewan</b>
12	<b>Australian Auditing and Assurance Standards Board (AUASB)</b>
13	<b>Committee of European Audit Oversight Bodies</b>
14	<b>UK National Audit Office</b>
15	<b>New Zealand Auditing and Assurance Standards Board (External Reporting Board)</b>
16	<b>Public Accountants and Auditors Board Zimbabwe</b>
17	<b>Basel Committee on Banking Supervision</b>
18	<b>Office of the Auditor General of Canada</b>
19	<b>Independent Regulatory Board for Auditors (IRBA)</b>

Several commenters encourage collaboration and alignment between the IAASB and IASB in terms of going concern requirements for management and the auditor.

1. There is a Need for Enhanced Coordination with IASB

- + Several commenters encourage collaboration and alignment between the IAASB and IASB in terms of going concern requirements for management and the auditor (IOSCO, CSA, IFIAR, AASB Canada, AUASB, Committee of European Oversight Bodies, External Reporting Board, and Basel Committee on Banking Supervision).
- + Certain proposed requirements in ED-570, including the commencement date of the going concern analysis, inappropriately impose requirements on management. Changes in reporting requirements for management need to be driven by updates to the financial reporting framework rather than auditing standards (IOSCO, CSA, IFIAR, AASB Canada, Office of the Auditor General of Manitoba, Provincial Auditor of Saskatchewan, AUASB, Committee of European Oversight Bodies, External Reporting Board, Basel Committee on Banking Supervision, and Office of the Auditor General of Canada).

## 2. Support for the Definition of Material Uncertainty

- ✦ Commenters generally support the proposed definition of material uncertainty with certain clarifications:
  - Clarification of the meaning of “may cast significant doubt” is a key concept and should be moved from the application material into the standard itself (IOSCO, IAASA, AUASB, Committee of European Oversight Bodies, and IRBA).
  - The phrase “in the auditor’s professional judgment” should be removed from the definition in order to recognize that management may also identify a material uncertainty in making its assessment of going concern (FRC, IFIAR, and AASB Canada).
- ✦ Two commenters do not support the proposed definition of material uncertainty (AASB Canada and External Reporting Board). The External Reporting Board believes that the definitions in ED-570 should align with the financial reporting framework(s).

## 3. Support for Enhanced Risk Assessment Requirements

- ✦ Commenters generally support the enhanced risk assessment requirements in ED-570 and believe that they appropriately build on and align with ISA 315 (IOSCO, FRC, IFIAR, IAASA, AASB Canada, National Board of Accountants and Auditors – Tanzania, Botswana Accountancy Oversight Authority, Office of the Auditor General - New Zealand, Provincial Auditor of Saskatchewan, AUASB, Committee of European Audit Oversight Bodies, UK National Audit Office, External Reporting Board, Public Accountants and Auditors Board Zimbabwe, Basel Committee on Banking Supervision, Office of the Auditor General of Canada, and IRBA).

## 4. Support for the Requirement to Design and Perform Procedures to Evaluate Management’s Assessment of Going Concern in All Circumstances

- ✦ Most commenters support the requirement in ED-570 for the auditor to design and perform procedures to evaluate management’s assessment of going concern in all circumstances (IOSCO, FRC, IFIAR, IAASA, AASB Canada, National Board of Accountants and Auditors – Tanzania, Botswana Accountancy Oversight Authority, Office of the Auditor General - New Zealand, Committee of European Audit Oversight Bodies, UK National Audit Office, Public Accountants and Auditors Board Zimbabwe, and IRBA).
- ✦ Some commenters do not support the requirement to perform audit procedures to evaluate management’s assessment of going concern in all instances. The determination to perform procedures should be based on the auditor’s risk assessment and use of professional judgment (Office of the Auditor General of Manitoba, Provincial Auditor of Saskatchewan, AUASB, and Office of the Auditor General of Canada).
- ✦ The IAASB should provide further guidance on the expected extent of work to be performed based on the auditor’s risk assessment (External Reporting Board).

The determination to perform [audit procedures to evaluate management’s assessment of going concern] should be based on the auditor’s risk assessment and use of professional judgment.

5. Support for the Requirements Regarding the Auditor’s Evaluation of the Method, Assumptions, and Data Used in Management’s Assessment of Going Concern

- + Commenters generally support the incorporation of key concepts from ISA 540 related to the evaluation of the method, assumptions, and data used in management’s assessment of going concern in ED-570 (IOSCO, FRC, IFIAR, IAASA, AASB Canada, National Board of Accountants and Auditors – Tanzania, Botswana Accountancy Oversight Authority, Office of the Auditor General - New Zealand, Provincial Auditor of Saskatchewan, AUASB, Committee of European Audit Oversight Bodies, UK National Audit Office, External Reporting Board, Public Accountants and Auditors Board Zimbabwe, Basel Committee on Banking Supervision, Office of the Auditor General of Canada, and IRBA).

6. Support for Enhanced Requirements Regarding Communication with Those Charged with Governance

- + Most commenters support the enhanced requirements for communicating with those charged with governance (IOSCO, FRC, IFIAR, IAASA, AASB Canada, National Board of Accountants and Auditors – Tanzania, Botswana Accountancy Oversight Authority, Provincial Auditor of Saskatchewan, AUASB, Committee of European Oversight Bodies, External Reporting Board, Public Accountants and Auditors Board Zimbabwe, Office of the Auditor General of Canada, and IRBA).
- + The standard should specifically require timely communication with those charged with governance related to going concern or otherwise emphasize that these communications should be ongoing throughout the audit (External Reporting Board and IRBA).

7. Mixed Views on the Auditor’s Reporting Requirements – “Going Concern” Section in the Auditor’s Report

- + Several commenters support the proposed addition to the auditor’s report (CSA, FRC, IFIAR, Botswana Accountancy Oversight Authority, UK National Audit Office, Public Accountants and Auditors Board Zimbabwe, Basel Committee on Banking Supervision, Office of the Auditor General of Canada, and IRBA).
- + Some commenters support the IAASB’s intent to enhance transparency in the auditor’s report but do not support the requirements as proposed (IOSCO, AUASB, and External Reporting Board).
- + Others do not support the proposed changes to the auditor’s report (AASB Canada, Office of the Auditor General - New Zealand, Office of the Auditor General of Manitoba, and Provincial Auditor of Saskatchewan).
- + The proposed addition to the auditor’s report may be interpreted as the auditor expressing an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole (IOSCO, Office of the Auditor General - New Zealand, Provincial Auditor of Saskatchewan, AUASB, and External Reporting Board).

The proposed addition to the auditor’s report may be interpreted as the auditor expressing an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole.

## 8. Support for the Auditor's Reporting Requirements – Additional Disclosure Requirements for Listed Entities When Events or Conditions Have Been Identified (Whether or Not Material Exists)

- + Several commenters support the proposed additional disclosures when events or conditions have been identified (IOSCO, FRC, IFIAR, AASB Canada, Botswana Accountancy Oversight Authority, AUASB, UK National Audit Office, External Reporting Board, Public Accountants and Auditors Board Zimbabwe, Office of the Auditor General of Canada, and IRBA).
- + The IAASB should consider if the requirements should also be applicable for public interest entities (PIEs) (IFIAR, IAASA, AASB Canada, Botswana Accountancy Oversight Authority, Committee of European Oversight Bodies, UK National Audit Office, External Reporting Board, Basel Committee on Banking Supervision, and IRBA).
- + The requirements should apply to all entities (Office of the Auditor General of Canada).
- + Two commenters do not support the proposed close call auditor's reporting requirements (Office of the Auditor General - New Zealand and Provincial Auditor of Saskatchewan).

## 9. Effective Date

- + An effective date approximately 18 months after approval of the final standard is appropriate (FRC, Botswana Accountancy Oversight Authority, Office of the Auditor General - New Zealand, Provincial Auditor of Saskatchewan, UK National Audit Office, and IRBA).
- + An effective date of 24 months after approval of the final standard would be appropriate (AASB Canada).
- + The IAASB should coordinate the effective date of this project should be coordinated with other similar projects including the IAASB's fraud project and PIE project (AUASB, AASB Canada, and External Reporting Board).

## ACADEMIC:

### 1 **Robyn Moroney, RMIT University**

#### 1. Auditor's Reporting Requirements – "Going Concern" Section in the Auditor's Report

- + Robyn Moroney, RMIT University, conducted research to understand how investors respond to the changes to the auditor's report proposed in ED-570. The research included a number of experiments around report format and management disclosures and found that management commentary related to going concern makes a difference for investors. The researchers also found that investors may struggle to distinguish between going concern disclosures

Two commenters do not support the proposed close call auditor's reporting requirements.

that are serious issues (material uncertainty) versus going concern disclosures about less serious issues (such as, events or conditions were identified but no material uncertainty exists).

## OTHER:

1 **International Association of Insurance Supervisors (IAIS)**

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2 **Kazuhiro Yoshii**

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3 **Colin Semotiuk, Office of the Auditor General of Alberta**

### 1. There is a Need for Enhanced Coordination with IASB

- + The auditing standard should not be updated until accounting standard setters (such as the IASB) update the requirements for management to disclose related to the going concern basis of accounting in all cases. The requirements in ED-570 impose financial reporting requirements on management (Colin Semotiuk).

### 2. Support for the Definition of Material Uncertainty

- + Two commenters generally support the proposed definition of material uncertainty (IAIS and Colin Semotiuk).
- + Colin Semotiuk disagrees that an auditor should use a definition different than that of the applicable financial reporting framework used by management. The definition in ED-570 should be used if the financial reporting framework used by management does not include a definition.
- + The clarification of the meaning of “may cast significant doubt” is a key concept and should be moved from the application material into the standard itself (IAIS).

### 3. Mixed Views on the Enhanced Risk Assessment Requirements

- + IAIS supports the enhanced risk assessment requirements in ED-570.
- + Colin Semotiuk disagrees with the enhanced risk assessment requirements in ED-570 and believes that the existing requirements in ISA 315 provide sufficient guidance for auditors.

### 4. Support for the Requirement to Design and Perform Procedures to Evaluate Management’s Assessment of Going Concern in All Circumstances

- + Two commenters support the requirement in ED-570 for the auditor to design and perform procedures to evaluate management’s assessment of going concern in all circumstances (IAIS and Colin Semotiuk).

5. Lack of Support for the Enhanced Requirements Regarding Communication with Those Charged with Governance

- + Colin Semotiuk does not support the enhanced communication requirements included in ED-570. Early and transparent dialogue is already occurring between the auditor and those charged with governance and therefore, enhanced requirements are not necessary.

6. Mixed Views on the Auditor's Reporting Requirements – “Going Concern” Section in the Auditor's Report

- + Two commenters support the proposed “Going Concern” section in the auditor's report (IAIS and Kazuhiro Yoshii).
- + Colin Semotiuk does not support the proposed “Going Concern” section and believes that it could widen the expectation gap.

7. Support for the Auditor's Reporting Requirements – Additional Disclosure Requirements for Listed Entities When Events or Conditions Have Been Identified (Whether or Not Material Exists)

- + Kazuhiro Yoshii supports requiring additional disclosures in the auditor's report when events or conditions have been identified. The requirement could be expanded beyond listed entities to include PIEs as well.
- + There should not be different reporting requirements for listed and unlisted entities (Colin Semotiuk).

8. Effective Date

- + An effective date of 24 months (minimum) after approval of the final standard is needed to give auditors sufficient time to prepare (Colin Semotiuk).



# About the Center for Audit Quality

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions.

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