



August 22, 2023

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, New York 10017

Re: Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs

Dear Mr. Willie Botha:

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 auditor firm and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

General Observations

This letter sets forth our views on the International Auditing and Assurance Standards Board's (IAASB or the Board) Exposure Draft of Proposed International Standard on Auditing (ISA) 570 (Revised 202X), Going Concern (the Exposure Draft or ED-570). Herein we refer to information in the Exposure Draft included in Section 1 through Section 3 as the "Explanatory Memorandum."

We appreciate the hard work of the IAASB staff and the Board in developing ED-570. Our feedback is intended to assist in enhancing the scalability of the standard and further make it clear to auditors and users of auditor's reports what the auditor has done or not done with respect to an entity's ability to continue as a going concern. In addition to our overarching recommendations, we provide specific feedback to certain questions in the *Specific Feedback* section below.



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Need for Improvements to the Applicable Financial Reporting Framework

ED-570 is an important step forward to enhance the auditor's role in evaluating management's assessment of the entity's ability to continue as a going concern. We believe it is important to acknowledge that the primary responsibility for assessing going concern and providing robust disclosure of significant judgments made in the evaluation rests with management as required by the applicable financial reporting framework. In complying with the applicable financial reporting framework, management has the primary responsibility for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Robust disclosure prepared by management regarding the assessment of the entity's ability to continue as a going concern, including events and conditions identified, and other disclosures regarding risks and liquidity provide important information about the long-term viability of the entity to financial statement users.

We have seen in the United States that enhancements by the Financial Accounting Standards Board (FASB) to establish a disclosure framework, together with incremental requirements that govern SEC filings (which are applicable for publicly traded companies), have served to provide transparency about an entity's ability to continue as a going concern and related risks (e.g., liquidity, financing and other risks that could adversely affect a company). Academic research supports this view. One study examined management's going concern disclosures in the U.S. before and after the FASB's updated standard, Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (FASB ASU 2014-15), became effective. The study found that, subsequent to the implementation of FASB ASU 2014-15, the market reacts more negatively to substantial doubt about an entity's ability to continue as a going concern and that management's going concern conclusions are more indicative of corporate failure.

Further, the study found that when events and conditions exist that give rise to substantial doubt, certain management plans to mitigate those events and conditions as disclosed in the financial statements are perceived to be more effective and credible by financial statement users, thereby lessening the negative market reaction after the implementation of FASB ASU 2014-15.¹ In our view, this demonstrates that a robust financial reporting framework gives credibility to management's assessment of the entity's ability to continue as a going concern and related disclosures in the financial statements and provides decision-useful information to financial statement users.

As such, we believe that the financial reporting framework and auditing standards need to work in concert to drive increased transparency for financial statement users. This cannot be achieved by revising the auditing standards alone - as the IAASB's actions may be misinterpreted as suggesting investors should look to auditors, rather than management, to provide earlier warning of issues related to the entity's ability to continue as a going concern. Therefore, although outside the scope of the IAASB's work, we believe that it should be a high priority for the IASB to consider potential revisions and enhancements to

¹ Wang, J. 2022. *Management Going Concern Disclosure, Mitigation Plan, and Failure Prediction—Implications from ASU 2014-15*. American Accounting Association, [The Accounting Review, 97 \(4\), 417-446](#).



IAS 1 *Presentation of Financial Statements*. Specifically, 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.

There Are Opportunities to Enhance Scalability

We appreciate and support the Board’s objectives of illustrating scalability within ED-570. In our view, scalability could be enhanced to fully achieve the Board’s objectives. We believe that 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.² The scalability of ED-570 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.

KAMs Are a Better Approach to Increase Transparency Through the Auditor’s Reporting Requirements

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. In certain circumstances, such as when there is a “close call” situation where significant judgment is involved in the determination that identified events or conditions do not result in a material uncertainty, it likely would be appropriate to also include disclosure in the auditor’s report through the inclusion of a Key Audit Matter (KAM) in accordance with the guidance in ISA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report* (for listed entities).³

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, as the inclusion of this section may be misinterpreted as a guarantee by the auditor that the audited entity will continue as a going concern. Additionally, it is unclear whether the addition of the auditor’s conclusion that management’s use of the going concern basis of accounting is appropriate in the auditor’s report, (as required by paragraph 33(a)(i)), provides useful information to financial statement users. It is

² For example, paragraph 19 requires the auditor to evaluate the method, assumptions, and data used in management’s assessment of going concern; however, we note that there may be circumstances in which management’s analysis does not include a formal method, assumptions, or data (see further discussion in our response to question 9). Additionally, paragraph 21 states that if management’s assessment covers less than twelve months from the date of approval of the financial statements, the auditor shall request management to extend its assessment period to at least twelve months from the date of the approval of financial statements. We believe that in certain circumstances it may be appropriate for the auditor to use professional judgment to determine that it is not necessary for management to extend its assessment.

³ As described in the Explanatory Memorandum paragraph 2, a “close call” situation exists when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, after considering management’s plans to deal with these events or conditions, management and the auditor conclude that no material uncertainty exists.



rare that the use of the going concern basis of accounting is not appropriate, even when there is a material uncertainty.

Please see below for responses to specific questions outlined in the Exposure Draft and our recommendations.

Specific Feedback

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 are generally supportive of the definition of Material Uncertainty (Related to Going Concern) and the phrase “may cast significant doubt.” As we discuss above, we encourage a focus on the scalability of ED-570, particularly with regards to various financial reporting frameworks used by management. Specifically, situations may arise where management uses different terminology in their financial statement disclosures (such as the terminology required by FASB ASU 2014-15) about going concern than the auditor uses in the auditor’s report, which may cause confusion for financial statement users. While the application material clarifies how the term “material uncertainty” as used in ED-570 relates to terms used in other financial reporting frameworks, we believe that the application material should provide guidance for the auditor regarding aligning the terminology used in the auditor’s report to the financial statements. We have provided a comparison of the terminology used in certain auditing standards and financial reporting frameworks for general reference in the Appendix.

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 support the focus on risk assessment in ED-570 and believe that the auditor’s risk assessment should inform the nature and extent of audit procedures to be performed in evaluating management’s assessment of the entity’s ability to continue as a going concern. However, the requirement as proposed in the Exposure Draft goes beyond the concepts in ISA 315 (Revised) and could be interpreted as requiring the performance of additional risk assessment procedures to identify all possible events or conditions that may exist. As described above, management has the primary responsibility for identifying events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with the applicable financial reporting framework.

As proposed, paragraph 11 could be interpreted to imply that the auditor has a responsibility to independently identify and assess all events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern. We believe that ED-570 should be clear that the auditor performs the procedures outlined in paragraphs 12 - 15 for the purpose of risk assessment, not for the purpose of identifying all possible events and conditions.



Accordingly, we recommend that paragraph 11 be revised to retain the following wording from extant ISA 570 (Revised) paragraph 10 (additions are marked as underlined):

11. When performing risk assessment procedures as required by ISA 315 (Revised), [FN 3 excluded] the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. In applying ISA 315 (Revised 2019) [FN 3 excluded], the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A6–A14)

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 support the change in the commencement date of the twelve-month period of management's assessment of going concern to the date of approval of the financial statements.

As noted previously, it is important for the auditing and accounting standards related to going concern to work in concert. A critical component of this alignment would be alignment of the evaluation period required for management's assessment to what is required in the auditor's evaluation. We recommend that the IAASB continue to encourage the IASB to take up a project to align IAS 1.

Additionally, as also noted previously, we have a concern regarding scalability of the proposed requirement in paragraph 21 that the auditor shall request management to extend its assessment period to at least twelve months from that date [of approval of the financial statements]. We believe that in certain circumstances it may be appropriate for the auditor to use professional judgment to determine that it is not necessary for management to extend its assessment.

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 order to further enhance the scalability of ED-570, we believe that the requirement to design and perform audit procedures to evaluate management's assessment of going concern should be explicitly linked to the auditor's risk assessment. Auditors should be permitted to use professional judgment in order to determine the nature and extent of audit procedures commensurate with the auditor's assessment of the risks of material misstatement at the financial statement level related to going concern. In our response to question 9, we suggest modifications to paragraph 19 that we believe more directly link the nature, timing, and extent of audit procedures to the auditor's risk assessment.



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?

While we believe that ED-570 incorporates the concepts of ISA 540 (Revised) as it relates to the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern, we do not believe that the requirements set forth in paragraph 19 are applicable or appropriate in all circumstances based on the nature of management's assessment and the auditor's risk assessment. As stated in paragraph A30 in the application material, there may be instances where management has not performed a detailed analysis to support its assessment. In such situations, management's going concern assessment may not include a formal method, assumptions, or data. Although this concept is included within the application material, we believe that the requirements in ED-570 should specifically address scalability.

We recommend the following updates to ED-570 to make the requirements more scalable and directly linked to the auditor's risk assessment:

- a. Suggested update to paragraph 12(h) as follows (additions are marked as underlined):

12. In applying ISA 315 (Revised 2019), [FN 4 excluded] the auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A8–A14) [Paragraphs 12(a) through 12(g) excluded]

The Entity's System of Internal Control

(h) How management assesses the entity's ability to continue as a going concern, including whether their assessment involves the use of methods, assumptions and data. ~~identifies the relevant method, assumptions and data that are appropriate in assessing the entity's ability to continue as a going concern.~~ (Ref: Para. A21)

[Paragraph 12(i) excluded]

- b. Suggested update to paragraph 19 as follows (additions are marked as underlined):

19. The audit procedures required by paragraph 17 shall include evaluating, as applicable to address the assessed risks of material misstatement: (Ref: Para. A30, A33, A38)

(a) The method used by management to assess the entity's ability to continue as a going concern, including whether the:

(i) Method selected is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from the method used in prior periods are appropriate; and (Ref: Para. A34)



(ii) Calculations are applied in accordance with the method and are mathematically accurate. (Ref: Para. A35)

(b) Whether the assumptions on which management's assessment is based are: (Ref: Para. A36).

(i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and

(ii) Consistent with each other and with related assumptions used in other areas of the entity's business activities, based on the auditor's knowledge obtained in the audit.

(c) Whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate. (Ref: Para. A37)

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 proposed requirements, 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 believe that further application material related to the evaluation of "ability" would be beneficial for auditors.

We also believe that additional application material related to the evaluation of the feasibility of management's plans for future actions would be beneficial for auditors in applying the requirements of paragraph 26(b).

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 to communicate with those charged with governance (TCWG) and agree that the proposed requirement will promote transparent and candid dialogue about events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern and related matters with TCWG. For consistency, we recommend that the communication required by paragraph 39(b) mirror the required external communication in the auditor's report (as required by paragraph 33(a)(i)).



We recommend the following revisions (additions are marked as underlined):

39. Unless all those charged with governance are involved in managing the entity, [FN 12 excluded] the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Such communication with those charged with governance shall include the following: (Ref: Para. A87–A88)

(a) Whether the events or conditions constitute a material uncertainty;

(b) The auditor's conclusion as to whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements;

(c) An overview of the audit procedures performed and the basis for the auditor's conclusions, including the auditor's evaluation of management's plans for future actions;

(d) The adequacy of related disclosures in the financial statements, including disclosures that describe the significant judgments made by management and the mitigating factors in management's plans that are of significance to overcoming the adverse effects of the events or conditions;

(e) When applicable, management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested; and

(f) The implications for the audit or the auditor's report. (Ref: Para. A89)

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?

While we appreciate the IAASB's desire to explore additional transparency for users of audited financial statements about the auditor's responsibilities and work relating to going concern, we do not support the requirements in paragraph 33(a).

We are concerned that the requirements as currently proposed could have the unintended consequence of diluting the impact or prominence of situations when there is a material uncertainty about an entity's ability to continue as a going concern. This could cause distraction or confusion for financial statement users. It is rare that the use of the going concern basis of accounting is not



appropriate, even when there is a material uncertainty. Therefore, we think including an explanatory paragraph in the auditor’s report only when events or conditions indicate that a material uncertainty exists that may cast significant doubt of the entity’s ability to continue as a going concern brings prominence to the matter for the benefit of the financial statement user.

Additionally, the proposed requirements in paragraph 33(a) will result in going concern being discussed in multiple locations within the auditor’s report which may also contribute to confusion for financial statement users.⁴ Finally, the inclusion of the auditor’s conclusion may be misinterpreted as a guarantee by the auditor that the audited entity will continue as a going concern.

In order to determine if the inclusion of the Going Concern section in the auditor’s report will add beneficial transparency for financial statement users, we encourage the IAASB to conduct outreach with financial statement users and to monitor the impact in jurisdictions that have already implemented such changes to the auditor’s report.

We also have concerns about the requirements of paragraph 34. The inclusion of the auditor’s conclusion that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate but that events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern could lead to confusion for financial statement users.

Although we are generally opposed to the requirements in paragraph 33(a) and related paragraphs, should the requirement remain in the final standard following the IAASB’s outreach, we offer the following recommendations, which we believe may reduce the risk of causing confusion for financial statement users.

First, we recommend that the new “Going Concern” section of the auditor’s report also include the discussion of management’s responsibility related to going concern from the “Responsibilities of Management and Those Charged with Governance for the Financial Statements” section. We also recommend that discussion from the “Auditor’s Responsibilities for the Audit of the Financial Statements” section related to going concern be moved to the “Going Concern” section to clarify that the absence of a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern is not a guarantee about the entity’s ability to continue as a going concern.

⁴ Going concern would be discussed in the new “Going Concern” section, the “Responsibilities of Management and Those Charged with Governance for the Financial Statements” section, and the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of the auditor’s report.



We recommend Illustration 1 be updated to include the following revisions (additions are marked as underlined):⁵

Going Concern

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Based on the audit evidence obtained, we~~*We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.*~~~~*Based on the audit evidence obtained, and 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 for a period of twelve months from the date of approval of the financial statements.*~~*Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*

We also recommend conforming updates to paragraph 33 to require the information described above in the "Going Concern" section of the auditor's report. We believe that the proposed updates would eliminate the need for discussion of going concern within the "Responsibilities of Management and Those Charged with Governance for the Financial Statements" and the "Auditor's Responsibilities for the Audit of the Financial Statements" sections of the auditor's report, which would streamline the discussion and clearly articulate the roles of management and the external auditor as it relates to going concern in one location in the auditor's report.

Finally, outreach and education for financial statement users is important regarding the changes to the auditor's report, including the inherent limitations associated with the going concern assessment.

- 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?

⁵ For purposes of this example, we have used the language that is required to be included in the auditor's report on the financial statements when International Financial Reporting Standards (IFRS) is the applicable financial reporting framework. As described in paragraph A67 of the application material, if an applicable financial reporting framework other than IFRS is used, the illustrative statements may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.



As we discuss in our response to Question 13, we appreciate the IAASB's desire to explore how to provide more transparency about the results of the auditor's work related to going concern. This transparency may be particularly important in close call situations when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, but no material uncertainty exists. However, we do not support the requirements in paragraph 33(b) as proposed.

First, we believe that transparency about situations when events or conditions have been identified should be primarily driven by management's disclosures about going concern within the financial statements. However, such information may not be required to be disclosed under the applicable financial reporting framework. Therefore, the requirement as proposed could lead auditors in certain situations to provide original information in the auditor's report if management has not disclosed such information in the financial statements.⁶

Paragraph A77 in the application material acknowledges that the auditor should seek to avoid inappropriately providing original information about the entity in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. In circumstances when such information is determined to be necessary by the auditor, the auditor may encourage management or those charged with governance to disclose additional information, rather than providing original information in the auditor's report. We believe that this guidance in the application material further emphasizes that greater transparency regarding close call situations needs to be driven from the financial reporting framework, rather than auditing standards.

We think a better approach to disclosure would be for the auditor to use professional judgment to determine whether to include audit matters related to going concern in the auditor's report as a KAM (in accordance with the framework set forth in ISA 701 (Revised)). It would be most impactful for financial statements users if this information is disclosed in the auditor's report when there is significant judgment involved in determining that identified events or conditions do not result in a material uncertainty, as opposed to the requirement in paragraph 33(b), which may unnecessarily raise concern in the auditor's report. We therefore recommend that paragraph 33(b) be updated to reference ISA 701 (Revised) to remind auditors that close call situations may be determined to be a KAM, rather than requiring disclosure in all circumstances where events and conditions have been identified. We also think that it is important for the auditor to continue to have the option to use an Emphasis of Matter paragraph as a tool to draw attention to the disclosures of those events and

⁶ As described in paragraph A76, original information is any information about the entity that has not otherwise been made publicly available by the entity (e.g., has not been included in the financial statements or other information available at the date of the auditor's report, or addressed in other oral or written communications by management or those charged with governance, such as a preliminary announcement of financial information or investor briefings). Such information is the responsibility of the entity's management and those charged with governance.



conditions or other matters related to management’s assessment of the entity’s ability to continue as a going concern if they judged it necessary.⁷

If paragraph 33(b) remains as proposed in the final standard, we encourage the IAASB to provide a more robust illustrative example highlighting what the disclosure would look like. Additionally, it is unclear if paragraph 33(b) refers to events and conditions that are present at the date of approval of the financial statements or any events and conditions that may have been identified and resolved during the period. As the auditor is required to perform risk assessment procedures around going concern, an event or condition could be identified at any time during the year. However, events and conditions may arise and then be resolved within the year, such that they are not present at the date of approval of the financial statements. It is unclear based on the wording of paragraph 33(b) if such situations are intended to be included in the scope. We believe that this could lead to inconsistent application of the requirements and believe that further guidance is necessary if the requirement remains in the final standard.

Finally, we do not believe that paragraph 33(b) should be extended to apply to audits of financial statements of entities other than listed entities.

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

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.

As the IAASB anticipates that the final pronouncement will be approved in December 2024, we would recommend that the standard be effective no earlier than for audits of financial statements for periods beginning on or after December 15, 2026.⁸

⁷ As discussed in the IAASB’s [Frequently Asked Questions on Reporting Going Concern Matters in the Auditor’s Report](#).

⁸ Explanatory Memorandum, paragraph 112.

CAQ

The CAQ appreciates the opportunity to comment on ED-570, and we look forward to future engagement. As the Board gathers feedback from other interested parties, we would be pleased to discuss our comments or answer questions from the Board regarding the views expressed in this letter. Please address questions to Vanessa Teitelbaum (vteitelbaum@thecaq.org) or Erin Cromwell (ecromwell@thecaq.org).

Sincerely,



Vanessa Teitelbaum, CPA
Senior Director, Professional Practice
Center for Audit Quality

cc:

IAASB

Tom Seidenstein, Chairman

PCAOB

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Duane M. DesParte, Board member
Christina Ho, Board member
Kara M. Stein, Board member
Anthony C. Thompson, Board member
Barbara Vanich, Chief Auditor

SEC

Paul Munter, Chief Accountant
Diana Stoltzfus, Deputy Chief Accountant

	Auditing Standards			Accounting Standards	
	AICPA (AU-C 570)	PCAOB (AS 2415)	IAASB (as proposed in ED-570)	FASB (ASC 205-40)	IASB (IAS 1)
Assessment Language	"whether substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time exists"	"whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time"	"whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern"	"whether there is substantial doubt about an entity's ability to continue as a going concern"	" material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern"
	Substantial Doubt	Substantial Doubt	Material Uncertainty / Significant Doubt	Substantial Doubt	Material Uncertainties / Significant Doubt
Events and Conditions	Conditions and events, considered in the aggregate, that raise substantial doubt	Conditions and events that, when considered in the aggregate, indicate there could be substantial doubt	Events or conditions that, individually or collectively, may cast significant doubt	Conditions and events, considered in the aggregate, that raise substantial doubt	Events or conditions that may cast significant doubt
	Raise substantial doubt / in the aggregate	Indicate there could be substantial doubt / in the aggregate	May cast significant doubt / Individually or collectively	Raise substantial doubt / in the aggregate	May cast significant doubt
Assessment Period	The period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).	Not to exceed one year beyond the date of the financial statements being audited (reasonable period of time)	Twelve months from the date of approval of the financial statements	Within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable)	At least, but is not limited to, twelve months from the end of the reporting period
	Date that FS are issued	Date of the FS being audited	Date of approval of the FS	Date that FS are issued	End of the reporting period
Basis of Accounting	The objectives of the auditor are... [t]o obtain sufficient appropriate audit evidence regarding, and to conclude on, the appropriateness of management's use of the going concern basis of accounting , when relevant, in the preparation of the financial statements of the financial statements.	<i>Not included in AS 2415</i>	The objectives of the auditor are [t]o obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.	Under generally accepted accounting principles (GAAP), continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting .	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.

	Auditing Standards			Accounting Standards	
	AICPA (AU-C 570)	PCAOB (AS 2415)	IAASB (as proposed in ED-570)	FASB (ASC 205-40)	IASB (IAS 1)
<p>Reporting and Disclosure Requirements</p> <p><i>No substantial doubt / material uncertainty & no events or conditions have been identified</i></p>	<i>No reporting requirements</i>	<i>No reporting requirements</i>	<p>The auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: State that the auditor:</p> <p>(i) Concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and</p> <p>(ii) Based on the audit evidence obtained, has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.</p>	<i>No required disclosures</i>	<i>No required disclosures</i>

	Auditing Standards			Accounting Standards	
	AICPA (AU-C 570)	PCAOB (AS 2415)	IAASB (as proposed in ED-570)	FASB (ASC 205-40)	IASB (IAS 1)
<p>Reporting and Disclosure Requirements</p> <p><i>No substantial doubt / material uncertainty but events or conditions have been identified</i></p>	<p><i>No reporting requirements</i></p>	<p><i>No reporting requirements</i></p>	<p>The auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: [include the disclosures described above and] For an audit of financial statements of a <i>listed entity</i>, if 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:</p> <p>(i) Include a reference to the related disclosure(s), if any, in the financial statements; and</p> <p>(ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.</p>	<p>If, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is alleviated as a result of consideration of management's plans, an entity shall disclose in the footnotes information that enables users of the financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the footnotes):</p> <p>a. Principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans)</p> <p>b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations</p> <p>c. Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.</p>	<p><i>No required disclosures</i></p>

	Auditing Standards			Accounting Standards	
	AICPA (AU-C 570)	PCAOB (AS 2415)	IAASB (as proposed in ED-570)	FASB (ASC 205-40)	IASB (IAS 1)
<p>Reporting and Disclosure Requirements</p> <p><i>Substantial doubt / material uncertainty exists</i></p>	<p>If, after considering identified conditions or events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the auditor should include a separate section in the auditor's report with the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern"</p>	<p>If, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the audit report should include an explanatory paragraph, including an appropriate title (immediately following the opinion paragraph), to reflect that conclusion.</p>	<p>If adequate disclosure about the material uncertainty is made in the financial statements, ...the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" and:</p> <p>(a) State that the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;</p> <p>(b) Include a reference to the related disclosure(s) in the financial statements;</p> <p>(c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern;</p> <p>(d) For an audit of financial statements of a listed entity, describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern; and</p> <p>(e) State that the auditor's opinion is not modified in respect of the matter.</p>	<p>If, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is not alleviated, the entity shall include a statement in the footnotes indicating that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.</p> <p>Additionally, the entity shall disclose information that enables users of the financial statements to understand all of the following:</p> <p>a. Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern</p> <p>b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations</p> <p>c. Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.</p>	<p>When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.</p>