



Meeting: Stakeholder Advisory Council (SAC)
Meeting Location: New York, United States of America
Meeting Date: April 29-30, 2024

Agenda Item D

Going Concern (IAASB) – Cover

Objective of Agenda Item

1. The objective of this Agenda Item is to obtain the SAC members input on certain public interest issues from the feedback to the Exposure Draft: [Proposed International Standard on Auditing 570 \(Revised 202X\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs \(ED-570\)](#) to inform the IAASB as it progresses its work to finalize the standard by the end of 2024.

Project Status

2. ED-570 was exposed for public comment on April 26, 2023, for a 120-day public comment period that closed on August 24, 2023. Seventy-eight written responses were received from a broad range of stakeholders from all geographical regions. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, including four responses from Monitoring Group (MG)¹ members, the Going Concern Task Force (GC TF), noted that no written responses were received from investors or other users of financial statements. The GC TF has subsequently engaged with this particular stakeholder group to supplement its information-gathering on ED-570 (see paragraph 6 below).
3. In March 2024, the GC TF provided the Board with a high-level overview of the stakeholder feedback for proposed ISA 570 (Revised 202X) and updated the IAASB on the GC TF activities and outreach undertaken since the publication of ED-570.²

Liaison and Engagement with Accounting Standard Setting Bodies

4. In developing ED-570, the IAASB engaged with other stakeholders in the financial reporting ecosystem with a direct influence on financial reporting. This included continued dialogue with the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB). In doing so, the IAASB remained mindful that certain issues are not solely within the IAASB's remit as well as that it is necessary for the proposed changes in ED-570 to

¹ The Monitoring Group comprises the Basel Committee on Banking Supervision (BCBS), the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank. The BCBS, IAIS, IFIAR and IOSCO submitted responses to ED-570.

² See [Agenda Item 2](#) presented to the Board in March 2024.

remain aligned with recognized financial reporting frameworks, such as the IFRS Accounting Standards of the IASB, and the standards of the IPSASB.

5. Since the publication of ED-570, the GC TF and the IAASB have continued to liaise with the IASB and IPSASB, which is accomplished through regular meetings at Staff and Board level.³ It is envisioned for the ongoing collaborative engagement on going concern to continue as the IAASB deliberates on respondents' feedback to ED-570.

Outreach Activities

6. Since the publication of ED-570, the GC TF participated in outreach with Jurisdictional / National Standard Setters (NSS) and also engaged in a deep dive session focused on going concern with Forum of Firms Representatives. In addition, in March and April 2024, the GC TF engaged in focused discussions with investors and other users of financial statements to supplement the feedback from the written responses to ED-570. The topic of going concern was also discussed at meetings and events with various stakeholders as part of the IAASB general outreach program.
7. Also, in support of the outreach for ED-570, and to inform stakeholders on key aspects where enhancements were proposed for going concern, the GC TF developed a short three-part video series that can be accessed via the Going Concern [project webpage](#) (the videos are available on the IAASB YouTube Channel).⁴

SAC Discussion

8. The revised going concern standard aims to promote consistent practice and behavior from auditors when addressing going concern. The key revisions proposed seek to enable a robust identification of events or conditions that may cast significant doubt on the entities ability to continue as a going concern, strengthen the auditor's evaluation of management's assessment of going concern, support the appropriate exercise of professional skepticism, including to consider the risk of management bias, and enhance transparency about the auditor's responsibilities and work in relation to going concern.
9. The initial analysis of the feedback to ED-570 indicates broad recognition for the relevance of the project to revise IAASB's going concern standard, including that the revisions made contribute favorably to enhancing confidence in the auditor's work in relation to going concern. However, there were varying levels of mixed views among certain stakeholder constituencies for some key proposals, including strong views that agree or disagree with the revisions. In particular, mixed feedback was received for the following proposals:
 - (a) Timeline for management's assessment of going concern.

ED-570 Proposal: To extend the commencement date of the twelve-month period of management's assessment of going concern that is used as the basis for the auditor's

³ Members of the GC TF and IAASB Staff have met with IASB and IPSASB representatives in June 2023, November 2023, January 2024, and April 2024. In addition, in December 2023, the IASB provided the IAASB with a Technical Update on their standard-setting activities and future plans, including an overview of the liaison activities with the IAASB for going concern.

⁴ The three-part video series included an [overview for key changes on going concern](#) and addressed targeted aspects of the proposals, such as the changes proposed in relation to the [timeline over which the going concern assessment is made](#) and for [transparency about going concern in the auditor's report](#).

evaluation, from the date of the financial statements (in the extant standard) to the date of the approval of the financial statements (in ED-570).

Public Interest Rationale: Extending the timeline over which the going concern assessment is made supports the public interest by providing more relevant, current, and decision-useful information to users of financial statements (discussed in Section 2-E of the [Explanatory Memorandum](#) (EM) that accompanied ED-570 (paragraphs 37-44)).

Mixed Feedback: MG respondents and Regulators and Oversight Authorities stakeholder constituencies broadly supported the proposals. Other stakeholder groups had mixed views, including views that agreed or disagreed. There were also mixed views from the outreach with investors and other users of financial statements for the proposed extension. However, there was general recognition from the feedback among all stakeholder groups for the public interest value of going concern assessments to include more current and relevant information. A key concern cited by respondents was that IAASB is stepping out of its remit by imposing accounting requirements on management. Respondents also questioned the practicality of the proposal without a corresponding change in the applicable financial reporting framework⁵ (e.g., reluctance from management to extend the commencement period). There were also concerns about increased costs for preparers to update the assessment for the extended commencement period.

- (b) Enhanced transparency in the auditor's report about going concern.

ED-570 Proposal: To provide explicit statements in the auditor's report about the auditor's conclusions for the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty has been identified.

Public Interest Rationale: The IAASB believes that the public interest is served when providing transparency in the auditor's report to users of financial statements that the auditor has fulfilled their responsibilities in relation to going concern (discussed in Section 2-I of the EM (paragraphs 68-93)).

Mixed Feedback: MG respondents and Regulators and Oversight Authorities stakeholder constituencies broadly supported the proposals to communicate explicit statements about going concern in the auditor's report. Other stakeholder groups had mixed views, including views that both agreed or disagreed. From the outreach with users of financial statements, there was support for the explicit statements about going concern in the auditor's report, including comments that they are useful and are an improvement compared to the extant "exception-based" going concern reporting model. Among the key concerns cited by respondents were perspectives that by providing the explicit statements, this may be misinterpreted as an opinion on a discrete matter in the audit and imply a guarantee on the future viability of the entity. Also concerns included that because management is not required to provide explicit statements in the financial statements under the applicable financial reporting framework, this may widen the expectation gap by creating a perception that the auditor has greater responsibility than management for going concern.

⁵ The requirements in IAS 1, *Presentation of Financial Statements*, define the period of management's assessment to be at least, but is not limited to, twelve months from the end of the reporting period and IPSAS 1, *Presentation of Financial Statements* defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.

10. Given the mixed views on these topics by certain stakeholder groups, the GC TF is seeking views from SAC members to inform the Board's standard-setting responses for going concern. In addition, the GC TF is interested in the views of SAC members about whether certain proposals in ED-570 that apply to audits of listed entities, should be extended to apply to other entities (e.g., public interest entities).

Matters for SAC Consideration

SAC members are asked for their views on whether the:

1. IAASB should retain its proposal to require the auditor to request management to extend its assessment of going concern to cover a period of at least twelve months from the date of approval of the financial statements, if management's assessment covered a shorter period.
2. Explicit statements in the auditor's report that the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate⁶ and that, based on the audit evidence obtained, the auditor has not identified a material uncertainty:
 - (a) Are sufficiently clear in articulating the responsibilities of the auditor for going concern?
 - (b) Do not inappropriately imply that the auditor is providing a greater level of assurance than intended?
3. Enhanced communication in the auditor's report for listed entities should be extended to apply to entities other than listed, such as for public interest entities.

Way Forward

11. The going concern project is expected to be discussed by the Board at its June, September, and December 2024 quarterly meetings, when the IAASB will deliberate on proposals in response to the feedback to ED-570. In June 2024, the IAASB will be presented an analysis of stakeholder feedback for certain themes from the responses to ED-570, and the GC TF initial views and proposals to address those themes. The IAASB's approval of the final standard is targeted for December 2024.

Material Presented

For Discussion

Agenda Item D.1: Presentation

⁶ When concluding on the appropriateness of the basis of accounting in the preparation of the financial statements the auditor is concluding that management does not intend to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Project Details and History

Project: Going Concern

Link to IAASB Project Page: [Going Concern | IAASB](#)

Task Force Members

- Edo Kienhuis, IAASB Member and Task Force Chair
- Sue Almond, IAASB Member
- Kai Morten Hagen, IAASB Member
- Greg Schollum, IAASB Member
- Wendy Stevens, IAASB Member

IAASB Staff Assigned to Project

- Kalina Shukarova Savovska, Principal
- Nathalie Baumgaertener Dutang, Senior Manager

Summary

	SAC Meeting	IAASB Meeting
Information Gathering		August 2020 May 2021
Project Proposal		March 2022
Development of Exposure Draft		June 2022 September 2022 December 2022 March 2023
Development of Final Pronouncement		March 2024