



IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

# Going Concern

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Inaugural Stakeholder  
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# Project Objectives that Support the Public Interest

A. Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern

B. Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism

C. Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements

## Drivers for the Project

- Corporate failures across the globe
- Heightened risks such as conditions resulting from war and the global pandemic
- Ongoing uncertainties in the broader economic environment and a spotlight on the topic of going concern

# Activities and Outreach Post ED-570



**Liaison and Engagement  
with Accounting  
Standards Setting Bodies**

- Ongoing Meetings and Discussions with IASB & IPSASB



**Stakeholder Outreach**

- Jurisdictional / National Auditing Standard Setters; Forum of Firms; Focused discussion with investors and other users of financial statements

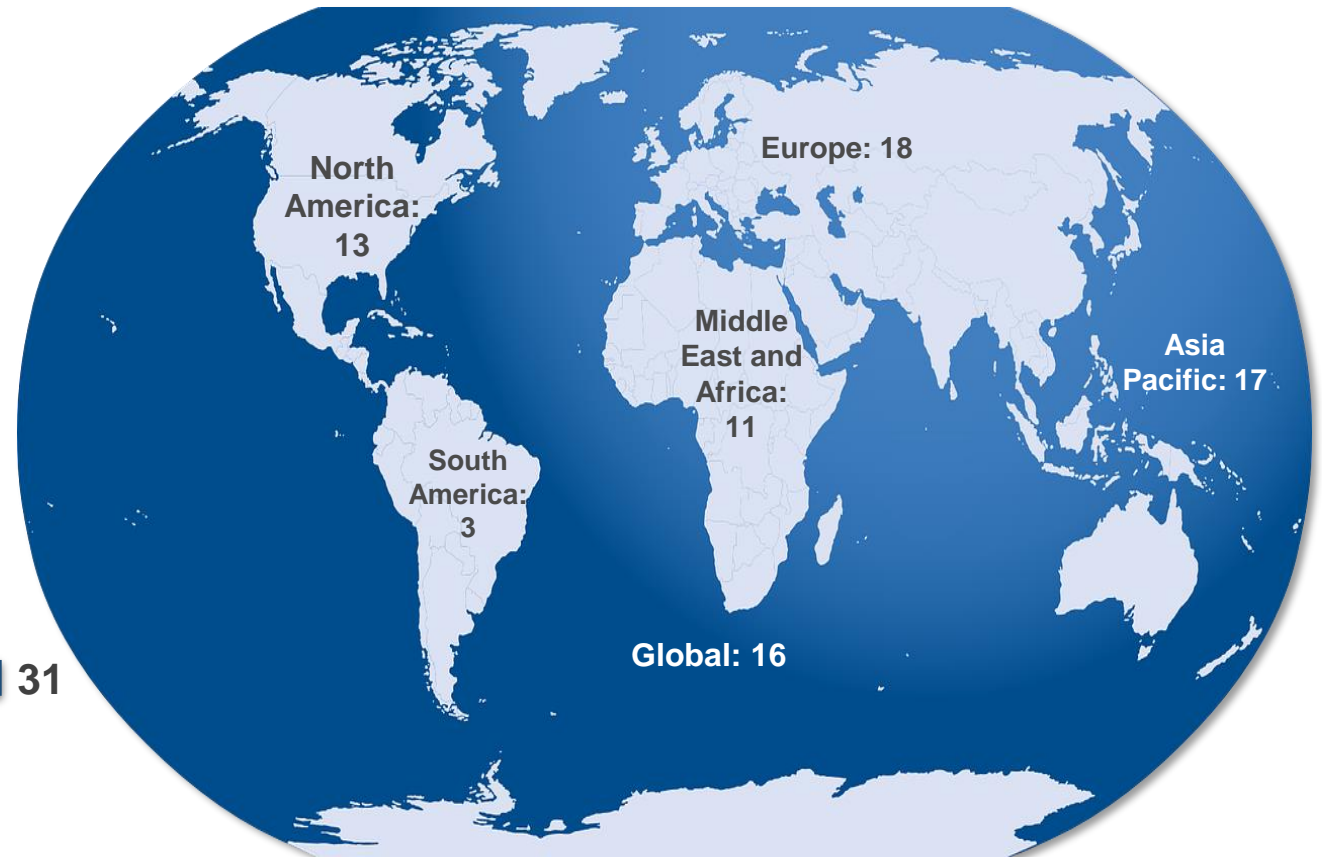


**Other Activities**

- Short video series to support the outreach for ED-570

# Overview of Responses to ED-570

## Respondents by Type



**Total responses: 78**

# Heat Map – Key Themes from the Feedback

Public Interest Issues	Enhanced Auditor's Judgments and Work Related to Going Concern	Scalability	Professional Skepticism	Definition of Material Uncertainty (Related to Going Concern)
Risk Identification and Assessment	Timeline Over which the Going Concern Assessment is Made	Evaluating Management's Assessment of Going Concern	Concepts from ISA 540 (Revised) for Method, Assumptions and Data	Management's Plan for Future Actions
Communication with Those Charged with Governance (TCWG)	Communication with Appropriate External Parties	Explicit Statements About Going Concern in the Auditor's Report	Enhanced Communication in the Auditor's Report for Listed Entities	Clarity of the Implications to the Auditor's Report

# Public Interest Issues – What we Heard?

- Broad support that the proposals are responsive to the public interest
- Concerns that some proposals in ED-570
  - Create a perception that the auditor has a greater responsibility than management for going concern
  - Are outside of the standard setting remit of the IAASB and impose financial reporting requirements on management
  - Are insufficient on their own, may widen the expectation gap, and should be deferred until IAS 1, *Presentation of Financial Statements* is revised

# Public Interest Issues – What we Heard?

- Other public interest issues to be considered when finalizing the proposals to ED-570
  - Ecosystem efforts – necessary to establish trust and narrow the expectation gap
  - Calls for action from IASB – improvements needed to the financial reporting framework for going concern
  - Engagement and liaison with the IASB on going concern should continue – aligning of auditing and accounting standards seen in the public interest

# Timeline – Overview of Key Changes

## Drivers for the Change

- Auditor requests management to extend its assessment to at least twelve months from the **date of approval** of the financial statements
- Consistent with IAS 1:
  - Minimum period for which management is required to take into account all available information
  - IAS 1 does not set a cap – longer time frame than minimum period can be considered

Reinforces the benefit to users – more current and relevant information included in management's assessment

Aligns with evolving practice – a different commencement date is often applied in practice

Greater consistency among jurisdictions globally – extended date already adopted by some jurisdictions



# Timeline – What we Heard?

- Broad recognition for the public interest benefit of the proposal
  - However, concern that IAASB is stepping out of its remit by imposing accounting requirements on management
    - Encouragement to liaise with IASB to align requirement in IAS 1 with the ED-570 proposal
- or
- Deferring the proposals until the IASB harmonize the requirements for management in IAS 1

# Matter for SAC Consideration

## Question 1

SAC Representatives are asked for their views on whether the 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?



# Auditor's Report – Drivers for Enhanced Transparency

Stakeholder demands for more informational content when the entity is in a “no material uncertainty stage”

Clarity for going concern “close call” situations and the related auditor reporting requirements in the auditing standards

Need for consistency and comparability across auditor's reports globally when reporting matters relating to going concern

# Auditor's Report – Overview of Key Changes

## Transparency About Going Concern in the Auditor's Report

### Overview of Proposals – When the Auditor's Opinion is not Modified in Relation to Going Concern

<i>Applicability</i>	<b>Going Concern Section (No Material Uncertainty Exists)</b>	<b>MURGC Section (Material Uncertainty Exists)</b>
<b>All entities</b>	<p>State that the auditor:</p> <ul style="list-style-type: none"> <li>▶ Concluded that management's use of the going concern basis of accounting is appropriate</li> <li>▶ Based on the audit evidence obtained, has not identified a material uncertainty</li> </ul>	<p>In addition to the extant requirements, state that the auditor:</p> <ul style="list-style-type: none"> <li>▶ Concluded that management's use of the going concern basis of accounting is appropriate</li> </ul>
<b>Listed entities</b>	<ul style="list-style-type: none"> <li>▶ Description of how the auditor evaluated management's assessment</li> </ul>	<ul style="list-style-type: none"> <li>▶ Description of how the auditor evaluated management's assessment</li> </ul>



# Auditor's Report – What we Heard?

## Explicit Statements About Going Concern in the Auditor's Report

- Mixed views, with majority support from Monitoring Group, Regulators and Audit Oversight Authorities, Users
- Concerns about:
  - Unintended consequence of widening the expectation gap
  - Misalignment between management's and auditor's responsibilities
  - Risk of becoming a boilerplate disclosure overlooked by users
  - Concern that the statements may be misinterpreted as an opinion on a discrete matter in the audit and imply a guarantee on the future viability of the entity

# Matter for SAC Consideration

## Question 2

SAC Representatives are asked for their views on whether the 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 appropriate 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?



*Note: 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.*

# Auditor's Report – What we Heard?

## Enhanced Communication in the Auditor's Report for Listed Entities

- Broad support to provide a description of how the auditor evaluated management's assessment of going concern when a MURGC exists
- For “close call” situations:
  - Clarity needed for the threshold for “close call” situations given that not all events or conditions require significant judgments
  - Suggestions to extend the communication for all circumstances
  - Encouragement for using the key audit matter mechanism to provide the enhanced communication
- Mixed views about extending the requirements to apply to entities other than listed entities

# Matter for SAC Consideration

## Question 3

SAC Representatives are asked for their views on whether the 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

- Ongoing dialogue and engagement with others in the financial reporting ecosystem
- Coordination with other IAASB task forces, consultation groups and IESBA

## Q2 – Q3 2024

- Consideration of feedback and development of final standard

## Q4 2024

- IAASB expected approval of final standard (December 2024)

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