AUASB Agenda Paper

Title:	AUASB Submission to the IAASB on ISA 570 *Going Concern*	**Date:**	23 August 2023
ATG Staff:	Anne Waters / Rebecca Mattocks	**Agenda Item:**	2.0

Objective

1. For the AUASB to summarise the feedback received on consultation of the IAASB's Exposure Draft on Proposed International Standard on Auditing (ISA) 570 (Revised), *Going Concern* (ED 570) and to consider and provide input into the AUASB's submission to the IAASB.

Questions for the Board

Question	Question for the Board
1	Does the AUASB have feedback on the AUASB's draft submission to the IAASB on ISA 570 (Revised), *Going Concern* at **Agenda Item 2.1**, in particular feedback is sought in relation to our proposed responses to questions 5, 8, 13 and 14?
2	Does the AUASB support the submission at **Agenda Item 2.1**?

Background and Previous Discussions on the Topic

2. The AUASB has been updated on key issues throughout the development of Exposure Draft ISA 570 (Revised), *Going Concern* (ISA 570 ED). The IAASB issued ISA 570 ED with an exposure period of 120 days and comments due to the IAASB by 24 August 2023.

3. On 3 May 2023 the AUASB issued a Consultation Paper seeking public comment on the IAASB's Exposure Draft on ISA 570 (Revised), *Going Concern* (ISA 570 ED). Comments were due by 14 August 2023.

4. Throughout July and August 2023, the AUASB hosted a series of in-person and virtual Roundtables to facilitate gathering stakeholder feedback on the key changes proposed in ISA 570 ED.

Matters for Discussion

Part I – Outreach Activities and Comment Letters Received

5. In May 2023, the AUASB issued an Educational Webcast outlining the proposed changes to ISA/ASA 570 (Revised), *Going Concern* and the key elements the AUASB is seeking feedback on its Consultation Paper. The AUASB Technical Group (ATG) also presented an overview of the proposed key changes at the AASB Dialogue Series on Going Concern.

6. The AUASB held three roundtables: 26 July and 1 August (virtual) and 8 August (Melbourne). The sessions were well attended by practitioners, regulators, academics, and the professional accounting bodies.

7. The AUASB received six written submissions from Nexia Australia, Pitcher Partners, CA ANZ, CPA Australia, Deloitte, and EY.

8. Feedback received at the roundtables and written comment letters were consistent. Refer to **Agenda Item 2.2** for disposition of written comments received which will be published on our website.

Part II – Summary of Feedback Received

9. The table below summarises the feedback received from stakeholders according to six key themes:

Risk Assessment Procedures	• Most stakeholders are supportive of the enhanced requirements in relation to risk assessment procedures and related activities and note that these proposals are largely consistent with current practices.
Timeline for Assessment	• Most stakeholders are supportive of the change in the timeline over which the going concern assessment is made, from the date of the financial statements to the date of approval of the financial statements. • The proposed timeline for assessment is also considered to be largely consistent with the period currently adopted in Australia. • Several stakeholders raised concerns that the proposed period will result in continued misalignment with the accounting standards.
Management's Assessment	• Most stakeholders disagree with the conditional requirement to require the auditor to design and perform audit procedures to evaluate the appropriateness of management's use of the going concern basis of accounting in all circumstances, particularly where there is clearly no going concern risk. This is considered to be inconsistent with the risk assessment procedures that have been aligned to ISA 315. • Some stakeholders view the proposals as an attempt to improve the preparation of financial reports through the auditing standards, rather than by amending the accounting standards. • Several stakeholders have expressed scalability concerns, and consider further guidance necessary with respect to the extent of work effort required when the entity is a going concern and when management have not made an assessment. • While the majority of stakeholders are supportive of assessing the intent and ability of third parties to maintain or provide the necessary financial support, several raised concerns over its practicality and consider further application material necessary.

Terminology	• Most stakeholders consider the proposed definition of "material uncertainty (related to going concern)" unhelpful due to the following:
	    o There is no mention of the auditor's evaluation of management's plans and future actions, which is essential to the auditor's conclusion as to whether a material uncertainty exists.
	    o The auditor's conclusion as to whether a material uncertainty exists precedes the auditor's consideration of the existence and adequacy of management's disclosures. The link to disclosures in the definition is therefore considered unnecessary.

<table>
<tr><td>Auditor's Report</td><td>Generic going concern paragraph
• There are mixed views with respect to the proposal to include statements on going concern in all auditor's reports, with the majority of stakeholders expressing the following concerns:
  o The accounting standards do not require equivalent reporting requirements for management.
  o It may be considered as a separate opinion.
  o It may detract attention from "real" going concern issues.
  o It may dilute the significance of a material uncertainty related to going concern (MURGC).
  o It may lose informational value over time.
  o It may exacerbate the expectation gap.
• Some stakeholders acknowledge that this proposal is responsive to preliminary stakeholder feedback that going concern matters are relevant to audits of all entities, regardless of size and complexity and that additional transparency is required.
Events or conditions, for listed entities only
• Some stakeholders are concerned that in the absence of explicit accounting requirements to disclose events or conditions unless management's conclusions involve significant judgement, auditors may provide original information.
• Several stakeholders consider that the heading of the section of the audit report on going concern should clearly indicate where there are issues in relation to going concern.
• Most stakeholders disagree with the differential reporting requirements, noting that all entities should reference management's disclosures, if any.
• There are mixed views with respect to the listing of how the auditor evaluated management's assessment of going concern.
Material uncertainty, for listed entities only
• Most stakeholders disagree with the differential reporting requirements.
• There are mixed views with respect to the listing of how the auditor evaluated management's assessment of going concern.</td></tr>
<tr><td>Other Matters</td><td>ASRE/ISRE 2410
• Most stakeholders consider symmetry in reporting as critical, noting that clear guidelines need to be established to outline the extent to which the auditor needs to apply the proposals in ED 570 at half year.
Financial reporting requirements
• All stakeholders are of the view that the accounting requirements need to be revisited with respect to going concern.</td></tr>
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Next steps/Way Forward

10. The submission to the IAASB Exposure Draft is due 24 August 2023. Consistent with the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications*, the ultimate content of the AUASB's submission will be determined after balancing all evidence from research, consultation and careful deliberation about the benefits and costs of the proposals. Based on AUASB discussions and conclusions, the ATG and Acting Chair will finalise and submit the response to the IAASB.

Materials Presented

Agenda Item	Description
2.1	AUASB Draft submission to the IAASB
2.2	ISA 570 ED Comments and Disposition

Australian Government
Auditing and Assurance Standards Board

PO Box 204,
Collins Street West
Melbourne VIC 8007

AUASB meeting 137
Agenda Paper 2.1

24 August 2023

Mr Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017 USA

Dear Mr Botha,

AUASB Submission on the IAASB's Proposed International Standard on Auditing *ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*

The Australian Auditing and Assurance Standards Board (AUASB) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (the IAASB) Exposure Draft: *Proposed International Standard on Auditing (ISA) 570 (Revised) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs* (ED-570). As a non-corporate Commonwealth entity of the Australian Government, the AUASB is responsible for developing, issuing, and maintaining auditing and assurance standards in Australia. The AUASB's role and mandate extends to liaison with other standard setters and participation in global standard-setting initiatives.

In formulating its response, the AUASB sought input from its constituents in three principal ways. The first was from hosting a series of in-person and virtual roundtable meetings with stakeholders representing assurance providers, academics, regulators, and professional accounting bodies; the second was through an open invitation to provide comment letters via our website; and the third was by way of formal discussions and deliberations by AUASB members at recent board meetings.

Overall Comments

The AUASB supports the IAASB's efforts to strengthen the auditor's evaluation of management's assessment of going concern and improve transparency of the auditor's responsibilities and work related to going concern through targeted revisions of ISA 570.

The AUASB's detailed responses to the specific questions asked in the Exposure Draft accompany this letter as Attachment 1. Whilst the majority of the feedback we received on ED-570 is supportive of the overall themes and key concepts in the proposed standard, we consider the following matters require specific consideration by the IAASB.

1. *Financial Reporting requirements*

As communicated in our response to the IAASB's *Fraud and Going Concern in an Audit of Financial Statements Discussion Paper*, the AUASB believes all parties in the financial reporting ecosystem must work together and fulfill their responsibilities to ensure that there is confidence in financial reporting by the capital markets, and considering initiatives to address the expectation gap in relation to going concern.

Going concern assessments and related disclosures are the responsibility of management and those charged with governance (TCWG) in the first instance. The auditor's responsibility is to provide independent assurance on the conclusions made by management and TCWG. We have received consistently strong feedback from stakeholders that the reporting requirements in the IFRS Accounting Standards are not sufficiently robust and explicit. In particular, going concern assessments should be required to cover a period of at least 12 months from completion of the financial statements, disclosures should be required about uncertainties and key assumptions that management and those charged with governance (TCWG) have made in forming their conclusions, and there should always be a statement on going concern in the financial statements. While there is no evidence in practice under the extant standard in Australia, stakeholders expressed concern that the proposed requirements of ED-570 may create circumstances where auditors will disclose more about going concern risks and conclusions than management and TCWG.

2. *Evaluation of management's Assessment of Going Concern*

The AUASB supports the IAASB's objective to strengthen the auditor's evaluation of management's assessment of going concern. However, the proposals in ED-570 are not consistent with ISA 315 and ISA 330 as it requires the performance of procedures where there is no risk of material misstatement despite application guidance to the contrary. We consider that the requirements in ED-570 should articulate the extent of work effort required by the auditor in circumstances where the entity has not prepared a detailed assessment of going concern, and in instances where the entity is clearly a going concern. Refer to our responses to Question 3 and Question 8 in Attachment 1 below for further details.

3. *Enhanced Transparency in the Auditor's Report*

The AUASB supports the IAASB's objective of enhancing transparency with respect to the auditor's responsibilities and work related to going concern, where necessary. We acknowledge that the proposal to include explicit statements around going concern in all auditor's reports is responsive to preliminary stakeholder feedback that going concern matters are relevant to audits of all entities, regardless of size or complexity.

Our stakeholders have expressed concern that this paragraph may be misinterpreted as a separate opinion on going concern. We recommend that the wording for the auditor's report be amended to make it clear that the statement on going concern is made in the context of the audit of the financial statements as a whole (see our response to Question 13 in Attachment 1). We also encourage the IAASB to provide application material on when the auditor should qualify their opinion or report under paragraph 33 for an audit of financial statements of a listed entity (see our response to Question 14 in Attachment 1).

Should you have any queries regarding this submission, please do not hesitate to contact the AUASB Deputy Technical Director, Anne Waters, at awaters@auasb.gov.au or myself at dniven@auasb.gov.au

Yours faithfully,

Doug Niven
Acting Chair

Overall Questions

1. **Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1?**

   The AUASB is of the view that the proposals in ED-570 are largely responsive to the public interest as they are designed to promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern. We have received consistently strong feedback from stakeholders that the reporting requirements in the IFRS Accounting Standards are not sufficiently robust and explicit. The proposed changes to the auditor's report may unintentionally widen the expectation gap with respect to the responsibilities of the auditor and management in the absence of corresponding changes to the financial reporting requirements.

   In particular, going concern assessments should be required to cover a period of at least 12 months from completion of the financial statements, disclosures should be required about uncertainties and key assumptions that management and TCWG have made in forming their conclusions, and there should always be a statement on going concern in the financial statements. While there is no evidence in practice under the extant standard in Australia, stakeholders expressed concern that in meeting the requirements in ED-570 there may be circumstances where auditors will disclose more about going concern risks and conclusions than management and TCWG.

   We encourage the IAASB to continue its engagement with the IASB to provide more detailed reporting requirements in relation to going concern in the financial statements, as well as how to perform management's assessment as to the ability for the entity to continue as a going concern and whether a material uncertainty exists.

2. **Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?**

   The AUASB considers the proposals will enhance and strengthen the auditor's judgements and work relating to going concern in an audit of financial statements. The enhanced requirements are likely to encourage the auditor to consider going concern at an earlier stage in the engagement process.

3. **Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?**

   Whilst the AUASB is supportive of requiring auditors to perform risk assessment procedures in accordance with ISA 315 for all audits, we have concerns that ED-570 will increase the work effort for all audits regardless of the assessed risk of material misstatement in relation to going concern. We recommend the IAASB amend paragraphs 17 – 19 in ED-570 to address the extent of work effort required by the auditor where the entity is clearly a going concern, and management do not consider it necessary to prepare a detailed going concern assessment. Refer to our response to question 8 for further details.

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

The AUASB is of the view that the requirements and application material in ED-570 increase the work effort of auditors which will appropriately reinforce the auditor's application of professional scepticism when performing procedures related to going concern.

Specific Questions

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"?**

The AUASB considers a clear understanding of the term "Material Uncertainty (Related to Going Concern)" and the phrase "may cast significant doubt" to be critically important to enable auditors to form their conclusions and enable the consistent execution of the requirements in ED-570. Whilst we are supportive of the IAASB's proposal to explicitly define "Material Uncertainty (Related to Going Concern)" we consider that the definition in ED-570 and/or related requirements should be revised with regard to the following:

- Material from paragraph A5 should be included in a definition of the phrase "may cast significant doubt" or another requirement paragraph. The phrase is key to the definition and identification of a Material Uncertainty (Related to Going Concern) and paragraph A5 provides useful material for auditors in assessing whether identified events or conditions may cast significant doubt.
- The proposed definition should not refer to disclosures. The auditor's conclusion as to whether a material uncertainty exists precedes the auditor's consideration of the existence and adequacy of management's disclosures.
- The proposed definition should explicitly include the auditor's evaluation of management's plans and future actions which is important in how the auditor concludes whether a material uncertainty exists. Paragraph A51 of ED-570 states that when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion on whether a material uncertainty exists is dependent on the auditor's evaluation of management's plans and future actions.

The matters in the second and third bullet points could be addressed by amending the definition of "Material Uncertainty (related to going concern) in paragraph 10 as follows [text ~~deleted~~ and added]:

'Paragraph 10. For the purposes of the ISAs, the following term has the meaning attributed below:

Material Uncertainty (Related to Going Concern)—An uncertainty ~~related to~~ about the entity's ability to continue as a going concern arising from events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern, and in the auditor's professional judgement management's plans for future actions are not sufficient to mitigate the magnitude of its potential impact and likelihood of occurrence to an acceptable level. ~~is such that, in the auditor's professional judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A4–A5)~~

a) ~~In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or~~

b) ~~In the case of a compliance framework, the financial statements not to be misleading.~~'

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?

Risk assessment procedures form the basis of the auditor's assessment of going concern risks and the AUASB supports ED-570 being aligned to ISA 315 (Revised) to assist auditors in determining the nature and extent of risk assessment procedures to be performed. However, we are of the view that the proposals in ED-570 are not consistent with ISA 315 and ISA 330 as it requires the performance of procedures where there is no risk of material misstatement. Refer to question 8 for further detail.

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)?

The AUASB supports the change in the timeline over which the going concern assessment is made, from the date of the financial statements to the date of approval of the financial statements. The assessment period currently adopted in Australia is at least approximately 12 months from the date of the current auditor's report to the date of the next auditor's report which is largely consistent with the period proposed in ED-570.

The commencement date in ED-570 is not consistent with paragraphs 25 and 26 of IAS 1 *Presentation of Financial Statements* (IAS 1) and we encourage the IAASB to continue engaging with the IASB to revise IAS 1.

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?

The AUASB supports the intention to enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements. We consider that, unless there are clearly no going concern risks, the auditor should be required to design and perform audit procedures to evaluate management's assessment.

However, ED-570 proposes to require the auditor to design and perform audit procedures as outlined in paragraphs 17 – 19 to evaluate the appropriateness of management's use of the going concern basis of accounting in <u>all</u> circumstances, even where the entity is clearly a going concern. If based on the risk assessment procedures the auditor has not identified any events or conditions that may cast significant doubt and the entity is clearly a going concern, the auditor should use their professional judgement to determine the extent of work they need to perform. The form and detail of management's assessment will affect the ability of the auditor to perform procedures in relation to paragraph 19. The auditor should be able to gather sufficient appropriate audit evidence without management performing a detailed assessment. The requirements in paragraphs 17 to 19 should be amended to be consistent with paragraph A44.

Where management have not yet performed an assessment of the entity's ability to continue as a going concern, paragraph 16 of ED-570 requires the auditor to request management to make its assessment. IAS 1 details that the degree of consideration required in management's assessment depends on the facts in each case, and if an entity has a history of profitable operations, for example, a detailed analysis may not be necessary. Paragraph A30 of ED-570 acknowledges that it is not the auditor's responsibility to rectify a lack of analysis by management and that a lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis is appropriate in the circumstances. Furthermore, paragraph 23 and related application material contemplates that the auditor may not consider it necessary for management to make an assessment.

Therefore, we recommend that the IAASB:

- Amend the requirements in paragraphs 17 to 19 and provide an example of the work effort required by the auditor when there are clearly no events or conditions which may cast doubt as to an entity's ability to continue as a going concern and management has not prepared a detailed assessment.
- Consider outlining the consequences where management has not prepared a detailed assessment, including where there may be a limitation on scope.

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?

The AUASB is of the view that ED-570 appropriately incorporates concepts from ISA 540 (Revised) with regards to the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern. As detailed in question 8 above, the AUASB encourages the IAASB to provide explanatory material and examples of the extent of audit effort required when management have not prepared a detailed assessment, and there are clearly no events or conditions which may cast doubt as to an entity's ability to continue as a going concern.

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?

The AUASB supports the intention behind the enhanced requirements and application material as part of evaluating management's plans for future actions. We do, however, recognise feedback received that it is often challenging to gather audit evidence on intent and ability of third parties or related parties. Often third parties or related parties are reluctant to confirm their intention and ability, and the information received such as audited financial statements to support ability may not align to the going concern assessment period. Therefore, we encourage further application material to assist auditors on:

- The nature of work and the resulting impact when written confirmations from third parties cannot be obtained, or the time frames are not consistent with the going concern assessment period.
- Procedures that may be performed when information provided by third parties is for periods shorter than the auditor's going concern assessment period.

11. Will the enhanced requirements and application material to communicate with those charged with governance (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?

The AUASB is of the view that the enhanced requirements and application material to communicate with those TCWG encourage transparent dialogue among the auditor, management and TCWG and will result in enhanced two-way communication about matters related to going concern.

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

The AUASB supports the new requirement and application material for the auditor to report to an appropriate authority outside of the entity, where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting.

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 the AUASB supports the IAASB's objective to enhance transparency and consistency in reporting with respect to the auditor's responsibilities and work related to going concern, our stakeholders have raised concerns that the proposals may result in the following unintended consequences:

- the auditor disclosing information in relation to going concern which management and those charged with governance are not required to disclose.
- imply that the auditor is expressing an opinion on a specific matter in the audit in addition to the opinion on the financial statements taken as a whole (particularly since its placement is likely to be directly below the auditor's opinion).
- impose additional litigation risk in the event that the entity subsequently fails, as the auditor is explicitly stating that they have not identified a material uncertainty.

- users may not identify where there are issues in relation to going concern if the auditor's report always includes a section headed "going concern", particularly given the length of many auditor's reports.

The proposed explicit statement 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 is consistent with the auditor's responsibilities which is currently in the auditor's report. On balance the AUASB is supportive of requiring the auditor to include a going concern paragraph in all auditor's reports.

However, we consider the following alternative language for paragraph 33 in ED-570 more appropriate as this is consistent with ISA 701.A47 and ED-570.A75 in cautioning against the inclusion or suggestion of discrete opinions on separate elements of the financial statements, and leverages concepts in ISA 701.11 [text ~~deleted~~ and <u>added</u>]:

> 'Paragraph 33. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A67–A68)
>
> a) State that ~~the auditor~~ (Ref: Para. A69-A70):
>   i. <u>In forming their opinion on the financial statements as a whole, the auditor</u> concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; ~~and~~
>   ii. Based on the audit evidence obtained, <u>the auditor</u> has not identified <u>any factors which indicate</u> a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern <u>exists; and</u>
>   iii. <u>The auditor's conclusion is based on audit evidence up to the date of the auditor's report. Future events or conditions may cause the entity to cease to continue as a going concern.</u>'

We also believe that the heading of section of the auditor's report on going concern should clearly indicate where there are issues in relation to going concern to assist users of the financial statements.

Given the IAASB's intention to include going concern matters in one place in the auditor's report, the IAASB may wish to consider relocating management's responsibilities in relation to going concern from the "Responsibilities of Management for the Financial Report" section of the auditor's report to the going concern section.

14. This question relates to the additional implications for the auditor's report for audits of financial statements of listed entities, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists). Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?

Disclosing Events or Conditions in the Auditor's Report

Whilst we received mixed feedback on the implications for the auditor's report when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, on balance the AUASB is supportive. However, the Accounting Standards do not include a specific requirement to disclose events or conditions that cast significant doubt on the entity's ability to continue as a going concern unless management's conclusions involve significant judgement and the disclosure requirements in paragraph 122 of IAS 1 apply. Stakeholders expressed concerns that this will increase the instances of auditors disclosing more about going concern than management is required to disclose. If the entity has not disclosed this information and the auditor concludes that the financial statements are not materially misstated the auditor should alert users to the events or conditions in the auditor's report. We encourage the IAASB to provide application material to explain when the auditor should qualify the opinion or report under paragraph 33. The IAASB should also provide an example auditor's report where there are no disclosures in the financial statements and the auditor has disclosed events or conditions in the auditor's report.

The AUASB considers that paragraph 33 should apply to all audits of financial statements, given the importance of alerting users to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. If this requirement is not extended beyond listed entities, then the standard should explicitly encourage voluntary application.

Disclosing how the Auditor Evaluated Management's Assessment

We heard mixed views as to whether the auditor should describe how they evaluated management's assessment. Those who were not supportive expressed concern that this may not be well understood by users, would unnecessarily lengthen the auditor's report and management is not required to disclose the basis for their assessment. However, on balance the AUASB is supportive of including procedures for consistency with Key Audit Matter reporting.

15. Is it clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., not in ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.

The AUASB considers ED-570 clearly address the implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern.

16. Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate?

The AUASB would like to draw attention to the following matters that have been raised during our consultation process:

Financial Reporting Requirements

As detailed in our response to Question 1 above, in the absence of corresponding changes to the current financial reporting requirements for more robust requirements in respect of management's going concern assessment and accompanying disclosures in the financial statements, we express concern that the proposed changes to the auditor's report may unintendedly widen the expectation gap with respect to the auditor's responsibilities. We encourage the IAASB to continue its engagement with the IASB to provide more detailed reporting requirements in relation to going concern in the financial statements, as well as how to perform management's assessment as to the ability for the entity to continue as a going concern and whether a material uncertainty exists.

Objectives of the Auditor

The overall objectives in paragraph 9 of ED-570 are consistent with extant ISA 570. However, the AUASB consider that the proposals in ED-570 for the auditor to report additional information if there are events or conditions which may cast significant doubt as to the ability to continue as a going concern, results in an additional objective for the auditor to identify if such events or conditions exist.

Method, Assumptions and Data Used in Management's Assessment

We recommend that the IAASB should clarify that the requirements stipulated in paragraph 19 should apply both when evaluating management's assessment and when evaluating management's plans for future actions when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Implications for the Auditor's Report

We encourage the IAASB to consider if it is necessary to remove the auditor's responsibilities for going concern in the "Auditor's Responsibilities for the Audit of the Financial Report" section in the auditor's report to avoid duplicating information proposed in the Going Concern paragraph.

Written Representations

We recommend revising paragraph 38, or including an additional requirement, to require the auditor to request written representations from management and, where appropriate, TCWG, in circumstances where events or conditions have *not* been identified that may cast significant doubt on the entity's ability to continue as a going concern. This should also include if management do not consider it necessary and therefore have not performed a detailed assessment of the entity's ability to continue as a going concern.

Review Engagements

We express concerns that the proposals in ED-570 further exacerbate the inconsistency between the auditor reporting requirements regarding going concern in an audit versus all review engagements, and in particular ISRE 2410. At a minimum we recommend the inclusion of prescriptive requirements in ED-570 or consequential amendments to ISRE 2410, to clearly establish to what extent the auditor is required to apply the requirements of the revised standard at a half year review.

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

Translations – Recognising that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in review the ED-570

We have no comments on translation matters.

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 a 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?

We support the proposal to coordinate the effective date of ED-570 with the fraud project.

Australian Government
Auditing and Assurance Standards Board

AUASB Comments Received and Proposed Disposition Paper

AGENDA ITEM NO.	**2.2**
Meeting Date:	23 August 2023
Subject:	Comments received on Exposure of the IAASB's Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs
Date Prepared:	17 August 2023

Document Type:	Exposure Draft	**Document Number:**	ED 570
Proposed Title:	*Proposed ISA 570 (Revised), Going Concern*		

Auditing and Assurance Standards Board
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LISTING OF RESPONDENTS

Short Form Name	Name	Date Received
Nexia	Nexia Australia	10 August 2023
Pitcher Partners	Pitcher Partners	11 August 2023
CA ANZ	Chartered Accountants Australia and New Zealand	11 August 2023
CPA	CPA Australia	11 August 2023
Deloitte	Deloitte Touche Tohmatsu (Australian firm)	14 August 2023
EY	Ernst & Young (Australian firm)	14 August 2023

EXHIBIT 1: Comments received on Exposure of the IAASB's Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other Auditing Standards

No.	Question	Respondent Comment	ATG Commentary
Overall Questions			
1	Do you agree that the proposals in IAASB ED are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1 (see IAASB EM)?	**<u>Nexia Australia</u>** Not addressed.	
		<u>Pitcher Partners</u> We acknowledge that it is appropriate for the IAASB to revisit the going concern standard generally. We believe particularly that the intentions of the proposed changes are admirable in light of the recent updates to other auditing standards (such as ISA 315 and ISA 540). We agree with the elevated and new requirements in IAASB ED relating to risk assessment procedures for going concern, and the change in the timeline over which management's assessment of going concern shall be made (at least 12 months from the date of approval of the financial statements). However, we question whether some of the other proposals in IAASB ED will assist in responding to the public interest and decrease the audit expectation gap (refer to our responses to specific questions below). Furthermore, we believe there is a need to reinforce and clearly distinguish the responsibilities of management and the auditors in assessing going concern. We envisage the proposals in IAASB ED are likely to create confusion and increase the time and effort (in some cases unnecessarily) to support the conclusion and wording of the auditor's report. The practical impact being more auditor's reports may have a material uncertainty related to going concern ("MURGC") paragraph and it will lose its importance and intended impact to users of the financial statements. Equally the guidance regarding "close calls" will likely mean that auditors due to risk aversion and conservatism, will err towards including the MURGC paragraph, as it will be considered more defensible. This in turn is likely to lead to more generic paragraphs addressing broad economic uncertainties which will not inform the users of the financial statements in a meaningful way. Key Audit Matters ("KAMs") are an example of this, where over time the KAMs have become generic and repetitive year on year in many cases. On this basis the relevance of the MURGC will be diminished. While it may be consistent, it will not be useful to users of the financial statements, and any impact of a MURGC will be lost. Further the increase in MURGC will be potentially problematic to clients as the other	AUASB acknowledge this feedback in relation to the auditor's report. On balance the AUASB is supportive of increased reporting in the auditor's report in the public interest and have included some recommendations for the IAASB to address these concerns. AUASB notes the point on increased MURGC however have not included this in the submission as it is the auditor's professional judgement as to whether a MURGC exists or not.

No.	Question	Respondent Comment	ATG Commentary
		users of financial statements (such as banks) may not fully understand the MURGC and/or be able to differentiate between just being a MURGC and nearly being a disclaimer.	
		<u>CA ANZ</u> Not addressed.	
		<u>CPA</u> Refer to response to Question 13.	
		<u>Deloitte</u> Deloitte agrees that the proposals in the IAASB ED are responsive to the public interest considering the project objectives to: • Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern; • 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; and • Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements. Deloitte is concerned, however, that the auditor's responsibilities have been extended whilst management's and directors' responsibilities are unchanged and hence an imbalance could occur where over-reliance is placed on the auditor's assessment of going concern. We refer the reader to further commentary with regards to the transparency and reporting requirements of the auditor in question (7), (11), (13) and (14) below in line with the "Significant concerns" section of the cover note of this letter	The AUASB have included in its submission concerns in relation to the financial reporting requirements not being increased.
		<u>EY</u> Not addressed.	
2	Do you believe that the proposals in IAASB ED, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern	**<u>Nexia Australia</u>** Not addressed.	
		<u>Pitcher Partners</u> Refer to responses to other questions, including questions 1 and 13.	

No.	Question	Respondent Comment	ATG Commentary
	in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?	**CA ANZ** Not addressed.	
		CPA Not addressed.	
		Deloitte Deloitte agrees that the proposals would enhance the auditor's risk assessment and therefore judgements pertaining to the work relating to going concern, and that transparency will be enhanced by additional reporting either in the auditor's report or in communications to Those Charged with Governance (TCWG). Deloitte would, however, like to note the following matters: • There is concern as to the distinctiveness of the proposed paragraphs in the auditor's report which has been highlighted further in question (13) below, and • IAASB ED could be enhanced as to the communication required by the auditor to TCWG in articulating their responsibilities, including that of management, in maintaining compliance with IAS 1, *Presentation of Financial Statements* (IAS 1) paragraph 25 and other going concern related matters under regulatory requirements (for example, a solvency assessment).	Points have been included in the AUASB submission.
		EY Not addressed.	
3	Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?	**Nexia Australia** Not addressed.	
		Pitcher Partners Going concern itself as a concept has no scalability, however, the quantum of work required may be increased as a consequence of the proposal. A potential outcome is that further time and work effort is incurred in situations where it is not necessarily needed and is not adding anything further to enhancing users' understanding or audit quality. The full impact of this will depend on the individual client facts and circumstances.	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
		CA ANZ Not addressed.	
		CPA We are also of the view that further guidance and clarity on work efforts depending on management's assessment of going concern would be helpful. There is a lack of clarity around how the work efforts for the proposed additional requirements in the ED-570 could be scaled for smaller entities, or for entities that are in different going concern risk scenarios. As an extension to that, some clarity may be needed around the application of the ED-570 on the work effort requirements for evaluating events or conditions that may cast significant doubt, compared to situations where material uncertainty exists. Scalability should not only consider whether the same requirements can be applied to entities of differing sizes, but there also needs to be an assessment of whether additional requirements will add value if applied in certain situations. We consider the example scenarios and related work efforts as illustrated in the IFRS Foundation educational material on Going Concern – a focus on disclosure to be very useful. We recommend the IAASB include similar example scenarios for going concern from an auditor's perspective, to clearly illustrate the step-up or step-down of work efforts that are proportionate to the size and going concern risks relevant to the entity.	Points have been included in the AUASB submission.
		Deloitte Deloitte believes that the current wording will lift the base level of audit procedures regardless of the size and complexity of the entity and hence is not necessarily as scalable to the extent desired by the intention of ED 570. Deloitte believes that the specific response for going concern should only be designed after the assessment of risk factors, and any relevant mitigations in place, where applicable. Consideration of all risk factors and mitigations may indicate a low risk and hence limit the extent of audit procedures required. The application material should include specific guidance as to what the minimum procedures could include as apprehension exists that risk assessments and related procedures could otherwise become generic. For example, in practice we expect that the results of the risk assessment procedures should inform the nature, timing and extent of appropriate audit procedures for going concern, the related communications to TCWG and written representations obtained. Where the risk factors identified are low then similarly the extent of procedures required could be less persuasive. This could be better articulated in IAASB ED and application materials to avoid both audit procedures and reporting being in	Points have been included in the AUASB submission. The AUASB's submission requests the IAASB to reconsider paragraph 17.

No.	Question	Respondent Comment	ATG Commentary
		excess of what the risk requires such that the impact on audience is diluted and by nature then disregarded. Deloitte in this scenario considered, for example, the low risk of going concern in the audits of Unit Trusts or Superannuation funds which are unlikely to exhibit going concern risk factors and hence procedures and related reporting would be expected to be on the lesser end of the scale. Proposed wording of paragraph 17 of IAASB ED: The auditor shall design and perform **<u>suitable</u>** audit procedures, **<u>after consideration of all risk assessment procedures and mitigating factors</u>**, to evaluate management's assessment of the entity's ability to continue as a going concern. Proposed wording regarding communication with TCWG has been included in question (11) below. Further, the application material should be enhanced to include guidance on the persuasiveness of audit evidence that is required in response to the identified risks relating to going concern to appropriately build on the foundational requirements in ISA 315. Deloitte similarly believes that it would also be helpful to provide examples (as application guidance supporting the proposed standard) of how this may look in practice for smaller entities.	
		<u>EY</u> Not addressed.	
4	Do the requirements and application material of IAASB ED appropriately reinforce the auditor's application of professional scepticism in relation to going concern?	**<u>Nexia Australia</u>** Not addressed.	
		<u>Pitcher Partners</u> Auditors already operate with heightened professional scepticism in respect of going concern. The proposals in IAASB ED are unlikely to change the level of scepticism which the auditor uses although it is acknowledged that the changes may directly reinforce this.	Noted however the AUASB consider ED-570 is designed to enhance professional scepticism
		<u>CA ANZ</u> Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
		CPA Not addressed.	
		Deloitte Deloitte supports the application material provided in A57 – A60 which reinforces the auditor's responsibilities to apply professional scepticism and the example indicators provided therein.	Points have been included in the AUASB submission.
		EY Not addressed.	
Specific Questions			
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"?	**Nexia Australia** Not addressed.	
		Pitcher Partners The definition of MURGC relies heavily on the phrase "may cast significant doubt" which is not directly defined as it is included in the application material, which doesn't seem to be appropriate and is an inconsistent approach. We believe that either both definitions are included in the Definition section of the standard or within the application guidance. In addition, the definition of MURGC is overly focused on the auditor's professional judgment as to what is needing to be disclosed in the financial statements which is firstly management's responsibility, and it detracts from the crux of the MURGC definition. We believe that the MURGC definition should be updated to be clearer and more succinct.	Points have been included in the AUASB submission.
		CA ANZ Stakeholders feedback was that it is important that the definition of "material uncertainty" and the concept of "significant doubt" are clear and understood to promote consistency of application in practice. However, views were mixed on whether the proposed definition and application material sufficiently clarify these terms.	Points have been included in the AUASB submission.
		CPA We are of the view that the definition of material uncertainty (related to going concern) can be improved with further clarity and distinction between 'material uncertainty' and 'significant	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
		doubt'. We suggest the wording from the application material in paragraph A5 be included in paragraph 10. This will help explain the concept that, material uncertainty is the result of unresolved events or conditions that, individually or collectively, may cast significant doubt. We are also of the view that the definition of material uncertainty should not include the disclosure requirements. We also note that this term is not defined in the accounting standards. Therefore, imposing the proposed definition of accounting terms within auditing standards can be problematic. There is a risk that management may disagree with the auditor on what should be deemed as 'material uncertainty'. The ED-570 uses the terminology 'material uncertainty' whereas IAS 1 refers to 'material uncertainties'. We recommend the IAASB considers aligning the terminology with IAS 1. Paragraph 10 of the ED-570 refers to 'appropriate disclosure of the nature and implications of the uncertainty'. We recommend the IAASB clarify the location of the 'appropriate disclosure' that is being referred to in paragraph 10, i.e., is it in the disclosures in the financial statements, or the disclosures in the auditor's report.	
		<u>Deloitte</u> Deloitte supports the definition of Material Uncertainty (Related to Going Concern) and believes that the application material relating to the definition of the phrase within A5 "may cast significant doubt" is clarifying in nature. We do, however, believe that it is also important for IFRS to include this definition for alignment and to prevent the IAASB from defining a term for use by management via an auditing standard. Notwithstanding, Deloitte believes that additional guidance as to what constitutes an "uncertainty" would be helpful to practitioners in understanding that forward looking information is in itself inherently subjective notwithstanding other potential risk factors.	Whilst supportive of the definition in ED-570 the AUASB and the majority of stakeholders were not supportive.
		<u>EY</u> Not addressed.	
6	Does IAASB ED 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	**<u>Nexia Australia</u>** We have some concerns regarding the Board's attempt to link risk assessment procedures to ASA 315. As described in paragraph A6 of the ED, the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is before consideration of any related mitigating factors included in management's plans for future actions. Such events and conditions may include non-financial matters, such as licenses,	The AUASB submission includes the point on alignment with ISA 315. The AUASB notes the points on non-financial risks however auditors use professional judgement in considering if they have

No.	Question	Respondent Comment	ATG Commentary
	doubt on the entity's ability to continue as a going concern?	permits, banking facilities, loans, insurances and similar scheduled to expire during the subsequent financial year, earthquakes, floods, pandemics, changes to government policies, and other geopolitical risks. The ED defines a material uncertainty related to going concern as an uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern where the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's professional judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary. While the potential magnitude of the impact of the non-financial matters identified above may be significant, it may be difficult for the auditor to obtain sufficient appropriate audit evidence to support the likelihood of their occurrence (as assessed by both management and the auditor) as being low (or extremely unlikely). Similarly, in the absence of management's documented plans to respond to such non-financial matters and black swan events it may be practically difficult for the auditor to evaluate and conclude on those matters as required by paragraph 26 of the ED. We are concerned that paragraphs 16 – 27 (and their related application guidance) of the ED are primarily focussed on financial events and conditions that may cast significant doubt on the entity's ability to continue as a going concern and does not adequately address non-financial events or conditions or provide adequate guidance on how the auditor should address those non-financial matters. For example, the ability of an aged care provider to continue as a going concern may be dependent upon the renewal of government licences and permits within the next financial year. This is identified as an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. Based on past practice, compliance with licencing conditions and current government policy, management assesses the likelihood of non-renewal as low. However, the relevant government department is unlikely to provide representations that the entity's licence will be renewed in the future. Based solely on these circumstances, it is unlikely that an auditor would include a Material Uncertainty Related to Going Concern paragraph in an auditor's report under extant ASA 570. We recommend that the proposals clarify and explain how auditors should address black swan and non-financial conditions and events which (while extremely low in likelihood) could have significant adverse effects on the ability of an entity to continue as a going concern, and for which it may be extremely difficult to obtain audit evidence to mitigate such risk.	sufficient audit evidence and do not consider it necessary to put this detail in our submission. The AUASB submission includes requesting application material on implications when the auditor cannot get confirmation by third parties on intent which will assist in these scenarios. AUASB notes the point on increased MURGC and conclude that it is the auditor's professional judgement as to whether a MURGC exists or not.

No.	Question	Respondent Comment	ATG Commentary
		Otherwise, we are concerned that the proposals will have the unintended consequence of unnecessarily increasing the number of Material Uncertainty Related to Going Concern paragraphs in auditor's reports in an attempt by auditors to reduce the risk of non-compliance with ASA 570 (and potential actions by regulators and other third-party actions against the auditor), even if the likelihood of such event or condition occurring is very low. We do not believe that the increased use of Material Uncertainty Related to Going Concern paragraphs is an appropriate consequence of the proposals, but whose likelihood is possible. Consequently, we recommend that the Board reconsider the proposals to clarify and better address non-financial risks.	
		<u>Pitcher Partners</u> As indicated in our response to question 1 above, we agree with the elevated and new requirements in IAASB ED relating to risk assessment procedures for going concern and believe that the IAASB ED appropriately builds on the foundational requirements in ISA 315. From a practical perspective the IAASB ED will likely lead to an increase in documentation - whether it results in increased identification of events or conditions is unclear. However, if more events and conditions are identified that may cast significant doubt then this may (as referenced elsewhere in our response) lead to a greater number of MURGC sections in auditor's reports which will potentially dilute and lessen the relevance and usefulness of the MURGC concept to users of the financial statements.	AUASB notes the point on increased MURGC and conclude that it is the auditor's professional judgement as to whether a MURGC exists or not.
		<u>CA ANZ</u> Overall, stakeholders are supportive of the proposals, but some noted that risk assessment related to going concern is always challenging.	Included in the AUASB submission.
		<u>CPA</u> We support the proposals in the ED-570 to enhance the risk identification and assessment requirements, so that they are consistent with those set out in ISA 315 Identifying and Assessing the Risks of Material Misstatement (ISA 315). The feedback we have received indicates that these are the steps that are already being included in the current audit process. We believe the clarifications proposed in the ED-570 through alignment to ISA 315 will further promote consistency in practice.	Noted however the AUASB consider the proposals inconsistent with ISA 315 as they require the performance of procedures where this is no risk of material misstatement.

No.	Question	Respondent Comment	ATG Commentary
		Deloitte Deloitte agrees that ED 570 is more definitive in the requirements of the auditor as it pertains to those events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Deloitte, however, does note those comments made above in question (3) as to the scalability desired by ED 570 and that further clarification within could achieve a balance between those foundational ISA 315 requirements and scalability. We do caution that paragraph 11, as currently drafted, could be interpreted as requiring the auditor to identify "all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern." We recommend revising paragraph 11 of IAASB ED as follows: 11. ~~In applying ISA 315 (Revised 2019), the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of~~ **When performing risk assessment procedures as required by ISA 315 (Revised 2019) and paragraph 12, the auditor shall consider whether audit evidence obtained indicates that** events or conditions exist **at year end** that may cast significant doubt on the entity's ability to continue as a going concern.	The AUASB submission includes the point on alignment with ISA 315. The AUASB has not included the proposed amendment to paragraph 11 as not considered necessary.
		EY Not addressed.	
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 IAASB ED)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of IAASB ED in circumstances where management is unwilling to make or extend its	**Nexia Australia** Not addressed.	
		Pitcher Partners Yes, we support the change in the period of management's assessment of going concern. This is essentially already the requirement of the Australian auditing standards, and it is more relevant and useful to users of the financial statements. We also support the new and strengthened requirements (and application guidance) for the auditor when management is unwilling to make or extend its assessment when requested to do so by the auditor. In addition, we take the opportunity to highlight that paragraph A44 includes only one example of when it may be considered appropriate that management choose not to extend the period of assessment (i.e. when the entity has profitable operations and has no liquidity concerns, and management have not identified any events or conditions that may	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
	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)?	cast significant doubt before their designated period of assessment) and thus there is no guidance or indication as to any other situations (if any) where it may be appropriate also.	
		<u>CA ANZ</u> In general stakeholders do not think this proposal will have an impact in Australia due to current requirements and practice. However, our submission to the IAASB will note that this change will result in further misalignment with the accounting standards.	Points have been included in the AUASB submission.
		<u>CPA</u> We are also supportive of the extension period of the auditor's evaluation of the going concern assessment to at least 12 months from the date of approval of the financial statements. The proposed extension period will be more aligned with the current New Zealand requirement.	Points have been included in the AUASB submission.
		<u>Deloitte</u> Deloitte supports the change in the commencement date of the twelve-month period of management's assessment of going concern, however, notes that application may need to consider regulations within certain jurisdictions where approval date and signing date may differ. Deloitte believes that the following alternative wording will remove any ambiguity where these dates do not coincide. Proposed wording of paragraph 21 of IAASB ED: If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of ~~approval~~ **<u>the auditor's report on</u>** the financial statements as defined in ISA 560, the auditor shall request management to extend its assessment period to at least twelve months from that date. Notwithstanding the above, Deloitte notes that without a simultaneous change in IAS 1 paragraphs 25 and 26, including the requirement in IAS 10 paragraph 14, this will require the auditor to request management to extend its assessment period beyond that prescribed by IFRS under which they are regulated. This requirement is more appropriately placed in the accounting standards. Significant concerns: • International accounting framework not addressing the issue of management's assessment period (refer to question (7) overleaf):	Points have been included in the AUASB submission. Note that the proposed amendment to paragraph 21 has not been included in the AUASB submission as not considered necessary.

No.	Question	Respondent Comment	ATG Commentary
		Based on the current IAASB ED the auditor will require management to extend its assessment period to align with the date of the approval of the financial statements. Whilst we agree that this timeline may be appropriate, we would encourage that this change is initiated in the International Financial Reporting Standards (IFRS). Management is responsible for the assessment of the entity's ability to continue as a going concern and the preparation of the financial statements on this basis. We would prefer that auditing standards are not used to correct an issue within IFRS and that IFRS should provide a clear framework which: • Requires the performance by management of an assessment of the entity's ability to continue as a going concern; • Expands the time period of management's assessment; • Specifies that developments after the reporting date but before the financial statements are approved should, as necessary, be factored into the assessment of going concern even if they are not themselves adjusting events under the general requirements of IAS 10 Events After the Reporting Period (IAS 10); and • Clearly defines what is meant by "Material Uncertainty" and "significant doubt."	
		EY Not addressed.	
8	Do you support the enhanced approach in IAASB ED 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?	**Nexia Australia** Not addressed.	
		Pitcher Partners There are several layers and different aspects that impact our response to this question which we have laid out below. The requirements equally apply in situations where there are no substantive questions or reasons to question the entity's ability to continue as a going concern. The current wording used in IAASB ED relating to the auditor designing and performing audit procedures "irrespective" of events or conditions been identified (paragraph 17) seems to go against the principles of a risk based audit approach (as embedded within the auditing standards including ISA 200 and ISA 315) and doesn't take into consideration scalability. This is further evidenced by the requirement of the auditor to evaluate the method, assumptions and data used in management's assessment (paragraph 19). We acknowledge that the auditor will be required to assess the use of the going concern assumption in all circumstances, however there	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
		is a spectrum of significance and risk relating to going concern based on the specific facts and circumstances of the entity. We believe that auditors should be focusing their attention, time, and effort in areas where it is warranted – the lack of distinction between different going concern situations is not only inconsistent with a risk based audit approach but may potentially lead to a dilution of importance for higher risk situations or applying a “mechanical check the box” mindset for less risky situations. Furthermore, there is a concern that this may be a catalyst or an example for future auditing standard requirements moving to documenting why things are not at risk of material misstatement which would be a very challenging and time consuming proposition. We believe that there should be more direct reinforcement that the assessment of going concern is the responsibility of entity management and this should be referenced back to the requirements in the preparation of financial statements in IAS 1 (or other relevant framework). We note that this is currently only referred to in the Introduction section of the proposed standard. Linked to the above comment with respect to management’s responsibility for the assessment of going concern, stating that the auditor “shall request” management to make its assessment if they haven’t yet done so (in paragraph 16) and design and perform procedures on management’s assessment (paragraph 17) does not necessarily address the issue and seems to move the responsibility for performing the assessment to the auditor. It is unclear what can practically constitute “management’s assessment” although the IAASB ED does indicate that there is a spectrum of analysis by management to support their assessment (as per paragraph A30) as it refers to management’s assessment with or without a “detailed analysis”. This is an important concept as practically if the auditor is obtaining management’s assessment or requesting management to perform an “assessment” then it should be clearer what this constitutes and what supporting analysis would be expected. Referencing to the example included in paragraph A30, for a situation when the entity has profitable operations and there are no liquidity concerns management may make its assessment without detailed analysis. It is unclear what would be considered appropriate in these circumstances – if management discussed their assessment of going concern in a meeting and they stated that there were no issues given the profitable operations and no liquidity concerns would this be sufficient and appropriate? We would recommend additional practical examples be developed to illustrate where an auditor would likely conclude that no detailed analysis is required, and what in fact constitutes detailed analysis by management.	

No.	Question	Respondent Comment	ATG Commentary
		CA ANZ The feedback has consistently expressed a concern that there is an increase in the auditor's Responsibilities comparatively to management's and that the ISA requirements of management and those charged with governance (TCWG) are not equivalent to the responsibilities placed on the auditor. The proposals are viewed as an attempt to improve the preparation of financial reports through the auditing standards, rather than by amending the accounting standards. Some directors we heard from also disagree with the perceived shifting of responsibility from management to auditors.	Points have been included in the AUASB submission.
		CPA Broadly, we are also supportive of the proposed additional requirements in the ED-570 to enhance the auditor's evaluation of management's going concern assessment. However, we disagree with the proposal 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. If there is no events or conditions have been identified and the risk of going concern is assessed as low or insignificant, there is little value in further evaluating management assessment of going concern. The costs incurred will be disproportionate to the benefits (if any) when the risk of going concern is insignificant.	Points have been included in the AUASB submission.
		Deloitte Deloitte supports the enhanced approach that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances, noting that the extent of procedures required to be performed for smaller or less complex entities should be appropriately scaled in circumstances such that it is possible for the risk to be determined as lower with less extensive procedures, or less persuasive procedures, even where the entity itself is large and complex. Refer to those comments made above in question (3).	Points have been included in the AUASB submission.
		EY Not addressed.	
9	Does IAASB ED appropriately incorporate the concepts introduced	**Nexia Australia** Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
	from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?	**Pitcher Partners** Using the concepts from ASA 540 to assess going concern is sensible given that the assessment does constitute an estimate and involve judgement by management, however as outlined above (refer to response to question 8) there is no scalability or spectrum for this evaluation and it would be practically challenging for the auditor to incorporate these concepts in circumstances when there are no events or conditions indicating a going concern issue and/or when management's assessment and supporting analysis is not detailed. There is currently not a lot of guidance for the practical issues/circumstances which auditors will face (especially in the middle markets) around intent and ability with privately held businesses, where management documentation may be extremely limited (refer to response to question 10). Based on our responses above relating to the responsibility of assessing going concern sitting with management of the entity, if the auditor is going to be required to assess going concern using the concepts from ISA 540 then we believe that these concepts would need to be incorporated directly into how management perform and document their assessment (including supporting analysis).	Points have been included in the AUASB submission.
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte Deloitte believes IAASB ED appropriately incorporates the concepts with regards to the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern. In line with those comments above, as per question (8), we would propose the following changes to paragraph 19 of the IAASB ED: 19. The audit procedures required by paragraph 17 shall include evaluating**, as applicable to address the assessed risks of material misstatement**	Points have been included in the AUASB submission.
		EY Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
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?	**Nexia Australia** We are supportive of the proposal, subject to the AUASB making the following clarifications. The requirements of an AUASB Standard are expressed using the word "shall" to denote the obligations an assurance practitioner is required to comply with in achieving the objective or objectives stated in the standard. Paragraphs 16, 17, 18, and 19 of the ED identify actions and procedures that an auditor "shall" perform. Of particular concern are those matters listed in paragraph 19 of the ED that must be performed. In many cases, management's and the auditor's assessment of the entity's ability to continue as a going concern may be straightforward because the business activities are simple or the entity has significant cash reserves. In these cases, management may not perform a detailed cash flow forecast that extends at least twelve months from the date of the auditor's report. Similarly, those charged with governance and the auditor may assess that the business is not affected by events or conditions that may cast significant doubt on the entity's ability to continue as a going concern – for example, in the case of a self-managed superannuation fund. Nevertheless, paragraph 19 requires the auditor to evaluate management's methods, calculations, data, and assumptions in assessing the entity's ability to continue as a going concern. Although application paragraphs A30 and A31 indicate that management may not always be obliged to perform a detailed analysis, and A31 and A38 attempt to provide scalability, the remaining A33 – A37 are written in the context of management preparing detailed forecasts and the auditor performing a detailed evaluation of those forecasts in all cases. To improve clarity and consistency in application of the standard, we recommend that the Board redraft paragraphs 16 – 19 and A30 – A38 to clarify those elements that are mandatory in all cases and those capable of modification by the auditor should they not be considered necessary in the circumstances. Moreover, paragraph 23 and its related application paragraph A43 places the responsibility on the auditor where management is unwilling to make a formal assessment of the entity's ability to continue as a going concern. In the absence of management's formal assessment regarding the ability of the entity to continue as a going concern, the auditor is required to either perform its own assessment or issue a modified opinion. In our opinion, greater responsibility should lie with management to formally assess and document their assessment relating to going concern. (refer also Question 13, below). Such	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
		matter cannot be resolved through amendments to auditing standards and should be dealt with through revisions to AASB 101 *Presentation of Financial Statements.*	
		<u>Pitcher Partners</u> Evaluation of intent and what specific procedures could be undertaken to "evaluate intent" is particularly challenging in the private business area, where we do not always have access to or knowledge of other relevant matters which may impact the intent or capacity of the party to continue to support (such as family illness, divorce, etc.). While inquiries can be made, establishing and evaluating intent and how this would necessarily be documented and described in a meaningful way, is difficult to determine. Conceptually, the idea has merit but without a cohesive communication plan to ensure that particularly in the middle market management/owner managers, understand the changes to the auditing standard and consequently their obligations to have and document appropriate plans and/or make available relevant documents, the proposed requirements in IAASB ED are pushing further work to the auditors, which may be considered exhaustive and not necessarily valuable to clients in the private business area.	Points have been included in the AUASB submission.
		<u>CA ANZ</u> Stakeholders also expressed concerns with the operability of the need to evaluate the ability and intent of third parties as part of the evaluation of management's assessment. More application material may be required to clarify the nature of work and the impact if sufficient appropriate audit evidence about third parties cannot be obtained. Some stakeholders feel this will increase the incidence of modified opinions related to going concern.	Points have been included in the AUASB submission.
		<u>CPA</u> Not addressed.	
		<u>Deloitte</u> Deloitte supports 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. In relation to financial support by third parties or related parties, including the entity's owner-manager, we believe that in addition to intent and ability, the business rationale is relevant in assessing the financial support and that:	Points have been included in the AUASB submission.

No.	Question	Respondent Comment	ATG Commentary
		• Third parties – additional application material may be valuable when determining suitable procedures when written confirmations cannot be obtained, as desired in paragraph A52, or what additional procedures should be performed when written confirmations include caveats, and • Related parties – there is no minimum requirement of the period for which these letters of support (including loan subordination agreements, commitments to maintain or provide additional funding, or guarantees) should be provided. Deloitte believes that any letter of support provided should be valid for at least 12 months from the date of the auditor's report that coincides with the date per question (7) above. Similarly, the IAASB ED and the related application material does not address situations extending to the assessment of the legal enforceability of a letter of support, and their cancellability within 12 months. Further application guidance as to the auditor's responsibilities in this regard would be of value. Deloitte would recommend that the application material provides examples of terms which may be challenging from an audit evidence perspective given that in many jurisdictions these letters of support are not legally binding under law.	
		EY Not addressed.	
11	Will the enhanced requirements and application material to communicate with those charged with governance (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?	**Nexia Australia** Not addressed.	
		Pitcher Partners Additional communication is likely, however, whether this discourse is beneficial is less clear, clients already receiving a MURGC or disclaimer will already be having the communication, however, clients will now be engaged in conversations where they are justifying/arguing to remove a MURGC where it has been added out of conservatism.	Noted but not specifically addressed in the AUASB submission.
		CA ANZ Not addressed.	
		CPA Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
		Deloitte Deloitte is comfortable that in practice where there are instances of doubt regarding the ability to continue as a going concern that these are being raised to the attention of TCWG. Deloitte is concerned that should it be interpreted that communication is always required, irrespective of whether there is a Material Uncertainty or "close call", that the impact of this communication could become diluted. Proposed wording of paragraph 39 of IAASB ED: Unless all Those Charged With Governance are involved in managing the entity, the auditor shall communicate with Those Charged With Governance **when** events or conditions **have been** identified that may cast significant doubt on the entity's ability to continue as a going concern**, including those "close call" situations**. Deloitte notes those comments made earlier with regards to articulating the roles and responsibilities of management, and TCWG, in other two-way communications as explained above in question (2).	Not considered necessary as the phrase may cast significant doubt has been clarified in ED 570.
		EY Not addressed.	
12	Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?	**Nexia Australia** Not addressed.	
		Pitcher Partners Overall, we are in support of this. We do highlight that it is important to have consistency, clear connections and interactions with other areas including non-compliance with laws and regulations and communications with external parties.	This is consistent with the AUASB submission.
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte We do not oppose reporting requirements for those circumstances in which law, regulation, or relevant ethical requirements require such reporting, however, Deloitte is of the view that the	Noted however the AUASB considers that "circumstances in which law, regulation, or relevant

No.	Question	Respondent Comment	ATG Commentary
		duty of care that auditor's carry should not be extended further. Accordingly, Deloitte is not supportive of this requirement and associated application material on two bases: • Deloitte is of the opinion that this responsibility lies with management or TCWG. Deloitte is concerned that should this fall on auditors then this may instigate a going concern issue, and • Under the auditor's terms of engagement there are client confidentiality matters which would prohibit an auditor to disclose to a third party unless either authorised to do so or required by law or regulation.	ethical requirements" appropriately restricts this requirement.
		EY Not addressed.	
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?	**Nexia Australia** We disagree on the inclusion of explicit statements concerning the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting, as outlined in paragraphs 75-78. The auditor's fundamental obligation is to adhere to all relevant Auditing Standards to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial report is prepared, in all material respects, in accordance with an applicable financial reporting framework. As described in ASA 200, ASA 700, and ASA 701 the auditor does not explicitly opine on a singular element of the financial statements. We are concerned that mandating the explicit expression of a conclusion on an individual element of the financial statements will create an expectation gap that users will interpret as the auditor guaranteeing that the entity will not enter administration or bankruptcy within twelve months from the date of the auditor's report and will also set a precedent for the inclusion of explicit opinions on other elements of the financial report in the future. In our opinion, there is the potential for the rationale described in paragraph 78(a) of the ED to be extended by the AUASB to other individual elements of the financial statements, such as significant business combinations or transactions, as well as other management and governance responsibilities described in ASA 200, for example significant accounting estimates, management judgments, or the entity's internal control environment.	The AUASB note these points and have included these concerns in our submission and: - proposed alternate wording to the "Going Concern" paragraph - considers that using different headings Going Concern and MURGC appropriately distinguish the two different conclusions - have recommended an alternate heading when there are events of conditions which may cast significant doubt.

No.	Question	Respondent Comment	ATG Commentary
	Do the proposals enable greater consistency and comparability across auditor's reports globally?	We disagree with any proposition that extends the auditor's conclusions on the financial statements beyond its obligations described in ASA 200 to individual elements of the financial report or matters solely the responsibility of management. The auditor will, as part of their duties, form an opinion on the appropriateness of the going concern basis of preparation of the financial report and communicate any material uncertainties or disagreements with management in the same way as other elements of the financial statements. We perceive no compelling reason to alter the existing reporting requirements. If the Boards intend to pursue this proposal, then we recommend that the AUASB and IAASB request the AASB and IASB to amend AASB 101 / IAS 1 Presentation of Financial Statements, respectively, to require those charged with governance of the entity (who have ultimate responsibility for the preparation of the financial statements) to provide an identical written conclusion to accompany the financial report.	
		Pitcher Partners Given the content included within auditor's reports relating to the auditor's responsibilities relating to going concern and the current availability of different mechanisms (i.e. MURGC section, KAMs for listed entities, emphasis of matter, other matter paragraph) to communicate key information to users as well as the extended length and complexity overall, we can't understand the compelling reasons to call out going concern specifically or include further statements (especially when there are no going concern issues) in the auditor's report. We don't believe including further information in the auditor's report is going to enhance transparency or more crucially actually provide additional information useful to users. We believe including a separate Going Concern section in all auditor's reports is likely to lead to confusion for users and reduced clarity and focus in situations where there is MURGC. There is no distinction proposed for non-listed entities when there are no going concern issues or when there is events or conditions that may cast significant doubt (but not MURGC). Also, for listed entities there is no explicit statement proposed indicating that there are events or conditions that may cast significant doubt on the ability to continue as a going concern. As referred to earlier the increased number of MURGC will likely lead to standardised responses with vague legal terminology, so while the intent may be good, we further believe it is unlikely to achieve the intended outcomes of enhanced transparency, or provide additional clarity to users of the financial statements.	The AUASB note these points and have included these concerns in our submission and: - proposed alternate wording to the "Going Concern" paragraph - considers that using different headings Going Concern and MURGC appropriately distinguish the two different conclusions - have recommended an alternate heading when there are events of conditions which may cast significant doubt.

No.	Question	Respondent Comment	ATG Commentary
		As a result of our comments above, it may be appropriate to enhance the wording in the auditor's report relating to the auditor's responsibilities in relation to going concern and our recommendations for reporting within the auditor's report in relation to going concern are: *Listed entities* • No going concern issues – nothing further included in the report • May cast significant doubt – included in KAMs only (if applicable). If not a KAM, then could include an Other Matter paragraph (and refer to disclosure in the notes to the financial statements) if considered appropriate. • MURGC – separate section included in the report (as is the case now, thus no change) *Non-listed entities* • No going concern issues – nothing further included in the report • May cast significant doubt – nothing further included in the report. Could include an Other Matter paragraph (and refer to disclosure in the notes to the financial statements) if considered appropriate. • MURGC – same as for a listed entity with a separate section included in the report (as is the case now, thus no change)	
		<u>CA ANZ</u> Shareholders prefer a simple approach and do not agree with including a statement on going concern in all auditor's reports when there is no issue. We are not aware of evidence that the extant auditor's report is not meeting users' needs. Views expressed that additional boilerplate wording in the auditor's report is not helpful and that including a statement on going concern where there are no issues will potentially reduce the informational value of the going concern paragraph where there is an issue. We heard suggestions that the IAASB needs to differentiate the types of going concern paragraphs more clearly in the auditor's report using headings and carefully consider the wording to be used to avoid confusion. There is a strong feeling that the wording of the going concern paragraph when there is no issue is too confirmatory and could be misinterpreted as a separate opinion on going concern. The underlying principle of an auditor's report is that it is one overall opinion on the financial	The AUASB note these points and have included these concerns in our submission and: - proposed alternate wording to the "Going Concern" paragraph - considers that using different headings Going Concern and MURGC appropriately distinguish the two different conclusions

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<tr><th>No.</th><th>Question</th><th>Respondent Comment</th><th>ATG Commentary</th></tr>
<tr><td></td><td></td><td>report, and when key audit matters (KAM) were introduced, it was made clear that they were not discrete opinions. Concerns were raised about the precedent this statement would set and practitioners also expressed concern that this would have a significant impact on their litigation risks.</td><td>- have recommended an alternate heading when there are events of conditions which may cast significant doubt.</td></tr>
<tr><td></td><td></td><td><u>CPA</u>

We note that, as articulated in the 2020 IAASB Discussion Paper on going concern, each participant of the financial reporting ecosystem plays a unique and essential role that contributes towards high-quality financial reporting. Therefore, it will take efforts from all participants of the financial reporting ecosystem to bring about meaningful change and improve financial reporting transparency around going concern. Ensuring the entity remains a going concern is primarily the entity’s responsibility and all participants of the financial reporting ecosystem including auditors need to be working together to achieve this.
An auditor’s opinion in respect of going concern is expressed in accordance with an applicable financial reporting framework. Currently, the auditor’s conclusion on the company’s status as a going concern is made with reference to the relevant disclosures in the financial statements. Without changes to the current financial reporting requirements for more explicit requirements around management’s going concern assessment and accompanying disclosures in the financial statements, we believe the IAASB’s efforts could bring about an imbalance that may result in unintended consequences including further widening the expectation gap affecting the audit profession.
The language and the tone used between accounting and auditing standards when addressing going concern are also problematic. Current phrasing in IAS 1 Presentation of Financial Statements (IAS 1) gives the perception that, as a starting point, "An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so." Therefore, for a company that is assessed as very low risk of not being a going concern, management may reach a conclusion that the going concern basis of accounting is appropriate without any detailed assessment. Furthermore, there is no specific requirement for management to include a statement that the financial statements have been prepared on a going concern basis. ED-570 proposes an implied secondary opinion by the auditor on the entity’s going concern</td><td>The AUASB note these points and have included these concerns in our submission and:

- proposed alternate wording to the “Going Concern” paragraph

- considers that using different headings Going Concern and MURGC appropriately distinguish the two different conclusions

- have recommended an alternate heading when there are events of conditions which may cast significant doubt.</td></tr>
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No.	Question	Respondent Comment	ATG Commentary
		status without the corresponding specific disclosures in the financial statements. This has the potential to further widen the expectation gap. • We encourage the IAASB to continue its discussions with the International Accounting Standards Board (IASB) on the matters raised above to ensure that a holistic approach is taken that meets the expectations of stakeholders and that is in the wider public interest. Therefore, we recommend enhancement to transparency in the auditor's report should only be pursued if there are adequate improvements to the applicable financial reporting framework on management's going concern assessment and related disclosures. • If the IAASB is to go ahead with the proposed transparency disclosures in the auditor's report without the corresponding enhancement to the reporting requirements, we strongly encourage the IAASB to implement an education and awareness program for the wider public regarding the responsibilities of different parties in relation to going concern, to manage the potential widening of the expectation gap. • In many audits, going concern would likely not be an issue. Therefore, a blanket disclosure about going concern in the auditor's report is likely to undermine its information value and may cause unintended consequences, including readers not noting disclosures that signal a concern with the going concern assessment. We are of the view that exception-based reporting is more appropriate, that is the inclusion of going concern disclosures in the auditor's report only when an issue related to going concern has been identified. • The ED-570 proposes the same heading, 'Going Concern' for both the 'clean' and 'close-call' situations. If the IAASB is to proceed with the inclusion of the blanket disclosure for all audit reports containing an unmodified opinion when no material uncertainly exists ('clean' audit report), we recommend that the IAASB revise the heading to better distinguish a 'clean' audit report from a 'close-call' audit report.	
		Deloitte Deloitte has two considerations based on current drafting on this matter: • Deloitte is uncomfortable that more information could be included in the auditor's report than that which is in the financial statements. Similarly, Deloitte notes that in certain jurisdictions there is no explicit requirement to state that the financial	The AUASB note these points and have included these concerns in our submission and:

No.	Question	Respondent Comment	ATG Commentary
		statements are prepared on a going concern basis i.e., it is a rebuttable presumption unless stated otherwise. • Deloitte believes that there is insufficient distinction between the Going Concern paragraph and the Material Uncertainty Related to Going Concern paragraph, which risks diluting the emphasis of the inclusion of a Material Uncertainty Related to Going Concern paragraph. We do not support the requirement as written as we believe adding a new section within the report without considering existing requirements in ISA 700 related to going concern will result in confusion to users of the financial statements as they read about going concern matters in two different sections of the report. We believe all matters related to going concern belong together (management responsibilities, auditor responsibilities, and auditor conclusion). See more details about our concerns, including our recommendations, in the Significant concerns section of the cover note of this letter. Significant concerns: • Positive statement that “the use of the going concern basis of accounting is appropriate and the auditor has not identified a Material Uncertainty” (refer to question (13) overleaf): We appreciate the additional transparency within the auditor’s report as it pertains to going concern, however, we believe that multiple references to going concern may lead to unnecessary confusion. We recommend moving management’s responsibility and the auditor’s responsibility related to going concern from “Responsibilities of Management and Those Charged with Governance for the Financial Statements” and the “Auditor’s Responsibilities for the Audit of the Financial Statement” sections, respectively, to the new section on going concern. We believe this will improve the flow of the information provided in the report and clarify that the absence of a Material Uncertainty related to going concern is not a guarantee about the entity’s ability to continue as a going concern. We recommend that Illustration 1 is updated to include the following: **Going Concern – Basis of preparation 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**	- proposed alternate wording to the “Going Concern” paragraph - considers that using different headings Going Concern and MURGC appropriately distinguish the two different conclusions - have recommended an alternate heading when there are events of conditions which may cast significant doubt - have recommended management’s responsibility to also be included in the going concern paragraph.

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		<u>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.</u> **<u>As part of an audit in accordance with ISAs, we are responsible for concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a Material Uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a Material Uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.</u>** <u>Based on the audit evidence obtained,</u> ~~W~~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. **<u>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.</u>**	
		<u>EY</u> Not addressed.	
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).	**<u>Nexia Australia</u>** We disagree with the proposal (and an attempt to extend the disclosures beyond listed entities) for the reasons set out at Question 13 and as follows. Paragraph 25 of AASB 101 requires management to make an assessment of an entity's ability to continue as a going concern and to make disclosure of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Paragraph 122 of AASB 101 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Notwithstanding that conditions or events may exist, management may conclude that no material uncertainty exists regarding going concern. In this situation, it is possible that management would make no disclosures of their assessment in the financial statements – a scenario that the AUASB acknowledges can occur in paragraph 33(b)(i) of the ED.	The AUASB note these points and have included these concerns in our submission and: - have recommended an alternate heading when there are events of conditions which may cast significant doubt - note that there may be circumstances where auditors are disclosing information not disclosed in the financial statements,

No.	Question	Respondent Comment	ATG Commentary
	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?	Nevertheless, paragraph 33 of the ED mandates disclosures where the auditor identifies events or conditions 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. We disagree with a proposal that mandates disclosure of how the auditor evaluated management's assessment of going concern without also mandating that management disclose the basis for their assessment within the financial statements.	- requested that the IAASB to provide an example audit report where there are no disclosures in the financial statements and the auditor has disclosed events or conditions in the auditor's report. - have agreed with the proposal to include the auditor's procedures for consistency with KAM reporting however noting stakeholders concerns
		<u>Pitcher Partners</u> Refer to response to question 13.	
		<u>CA ANZ</u> Concerns were also expressed that there may be circumstances in which the auditor would be introducing information that is not in the financial report as it is possible that management has made an assessment, some issues exist, but they have taken appropriate mitigating actions so no material uncertainty related to going concern (MURGC) exists, and the entity may not need be required to make disclosures in the financial report, but the auditor does in the auditor's report. We have heard mixed views on the additional requirements for listed entities in both sets of circumstances where these are triggered. Some stakeholders are supportive on the basis that the users of financial reports of listed entities do not have the same ability to access information as users of privately held entities and that it is mostly information already presented in KAMs. However, others expressed concerns that listing procedures performed may result in higher litigation risks and that the information could be confusing. Some stakeholders expressed the view that users do not understand the existing information in the	The AUASB note these points and have included these concerns in our submission and: - note that there may be circumstances where auditors are disclosing information not disclosed in the financial statements, - requested that the IAASB to provide an example audit report where there are no

No.	Question	Respondent Comment	ATG Commentary
		auditor's report related to going concern, and if they do not understand the nuances of the proposed content, entities may be negatively impacted when no material uncertainty exists. On balance, we do not support the inclusion of additional disclosures for listed entities.	disclosures in the financial statements and the auditor has disclosed events or conditions in the auditor's report. - have agreed with the proposal to include the auditor's procedures for consistency with KAM reporting however noting stakeholders concerns - have concluded to expand this reporting to all entities given the importance of alerting users to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.
		CPA Not addressed.	
		Deloitte We do not support the requirements that facilitate further enhanced transparency about the auditor's responsibilities as written as we believe they will result in confusion to users because of the broad range of circumstances that require additional reporting. We believe that the KAM mechanism is more appropriate for additional reporting in situations involving significant judgment (i.e., those requiring significant auditor attention and that were of most significance to the audit) to determine that identified events or conditions do not result in a Material uncertainty.	The AUASB note these points and have included these concerns in our submission and: - have recommended an alternate heading when there are events of conditions which may cast significant doubt

No.	Question	Respondent Comment	ATG Commentary
		Based on current drafting, the auditor is required for listed entities, to include a description of how they evaluated management's assessment on "when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern" even when no Material Uncertainty exists. Whilst we appreciate the intention to provide transparency, we are concerned that this information may confuse users (a user may misinterpret the information to mean that an entity is in financial distress, when no Material Uncertainty exists). Similarly, there can be a range of circumstances where "events or conditions exist" (e.g., those where it is simple to eliminate significant doubt such as obtaining a debt covenant waiver) versus others where significant judgement is necessary to determine that "events or conditions identified did not result in a Material Uncertainty"). Using the same reporting for these broad range of circumstances may result in the misunderstanding of the significance of an event or condition when critical. We believe that these "close calls" are better placed to reside in management's disclosure in the financial statements and to avoid the auditor providing "original information" where management has not disclosed these "events or conditions". We believe that key audit matter (KAM) requirements offer the appropriate framework where events or conditions have been identified and when such evaluation requires significant auditor attention or is a matter of most significance in the audit. Accordingly, we recommend deleting paragraph 33(b) and replacing with: 33(b) In applying ISA 701, the auditor shall determine, from the going concern related matters communicated to those charged with governance, including the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, those matters that required significant auditor attention in performing the audit and were of most significance in the audit of the financial statements of the current period and therefore are key audit matters However, Deloitte would be supportive of extending this requirement to apply to audits of financial statements of entities other than listed entities (either size criteria or Public Interest Entities). In arriving at this view Deloitte considered those large private companies which have a variety of interested stakeholders which extend beyond the shareholders, for example, to those within the supply chain. In limiting this requirement to listed entities it may imply that the only interested stakeholders are the public. Similarly, many private companies are held by Private Equity, Sovereign, or superannuation/ pension funds which would value the increased transparency as desired by this IAASB ED. Increasing transparency in these	- note that there may be circumstances where auditors are disclosing information not disclosed in the financial statements, - requested that the IAASB to provide an example audit report where there are no disclosures in the financial statements and the auditor has disclosed events or conditions in the auditor's report. - have agreed with the proposal to include the auditor's procedures for consistency with KAM reporting however noting stakeholders concerns. - have concluded to expand this reporting to all entities given the importance of alerting users to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.

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		auditor's reports would benefit a variety of stakeholders and better protect public monies through the standards objective.	
		EY Not addressed.	
15	Is it clear that IAASB ED addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with IAASB ED and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.	**Nexia Australia** Not addressed.	
		Pitcher Partners Refer to responses to other questions.	
		CA ANZ Stakeholders agreed that if the IAASB proceeds with the proposals in the ED as currently drafted, it will need devote resources to educating users and other stakeholders, so they understand the changes. We note that we do not support the wording of proposed paragraph 32 where a material uncertainty exists. This wording requires the auditor to force management to provide disclosures that are specified in more detail than is required by IAS 1. Either the accounting standards need to change to match the disclosures specified in paragraph 32, or paragraph 32 should be amended so it only refers to the auditor having to determine whether the disclosures in the financial report comply with the applicable accounting standards. As it seems unlikely that the IASB will amend IAS 1 in the short term, we encourage the AUASB to have discussions with the AASB as to whether it would be appropriate for Australia to follow New Zealand's approach and introduce additional disclosures here.	Noted and covered by points to align with Accounting Standards.
		CPA The location of disclosure in the audit report for a 'close-call' situation. We suggest the IAASB include further clarification and specific examples to illustrate the appropriate use of the Key Audit Matter (KAM) and Emphasis of Matter (EOM) paragraphs in the audit report.	
		Deloitte In addition to those comments made elsewhere in this document, we believe that that the current requirement as per paragraph 35(c) (to have a "Material Uncertainty Related to Going Concern" section when expressing a qualified or adverse opinion due to inadequate disclosure in the financial statements) is necessary. We believe that all disclosures for this circumstance	Noted but the AUASB agrees with the proposals in ED 570 to align the requirement in paragraph 35

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		are better suited to remain within the "Basis for Qualified/ Adverse Opinion" section of the auditor's report, and that an additional section would be unnecessarily repetitive.	when the auditor expresses a qualified or adverse opinion because this is consistent with the proposed requirements to address the auditor's conclusions about, and work related to going concern in a separate section.
		EY Not addressed.	
16	Are there any other matters you would like to raise in relation to IAASB ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.	**Nexia Australia** Not addressed.	
		Pitcher Partners The private business implications and the ability to assess intent and capacity/ability in respect of support, is difficult to assess but additional guidance and examples based on likely scenarios would be helpful to assess whether in practice this will present challenges or issues. A private business which is profitable is unlikely to have extensive if any documentation regarding going concern, and is unlikely to perceive the auditor adding value in requesting additional information to support a conclusion which is "obvious" and will not change the outcome.	Included in the AUASB submission.
		CA ANZ Concerns were raised about the fact that there is a lack of consistency between the terminology and definitions used in the ISAs and the IASB's accounting standards. Given the IASB's reluctance to date to pursue such change, it may be necessary to have dialogues with local regulators. We also encourage the AUASB to continue to: advocate this issue directly with the IASB and encourage the IAASB to keep raising this issue with the IASB.	Noted for further consideration by the AUASB.
		CPA Not addressed.	
		Deloitte • Implications for the auditor's report –	

No.	Question	Respondent Comment	ATG Commentary
		○ Deloitte believes that additional guidance could be provided to address instances where management does not prepare an assessment supporting their going concern assumption (as required by IAS 1 paragraph 25), or where the period covered is insufficient, and the steps to be considered by the auditor and corresponding impact on the auditor's report after these relevant steps have been taken. ○ Deloitte is concerned that the listed entity requirement within paragraph 33(b) to include a separate section in the auditor's report when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but where it is concluded that no Material Uncertainty exists may result in the auditor's report including more information than the financial statements. IAS 1 paragraph 25 requires an entity to disclose those uncertainties where material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern arise. ○ Uncertainties and mitigation plans should be disclosed in the financial statements alone. The auditor's report, in the instances of a Material Uncertainty or "close call", should include the procedures performed by the auditor and a reference to management's disclosures on these uncertainties and mitigations alone. ○ In addition, users may interpret this additional disclosure in the auditor's report to indicate that an entity is in financial distress when no such Material Uncertainty exists. ○ Deloitte recommends that the IAASB establish a project to further elaborate what constitutes sufficient management disclosures in cases where events or conditions have been identified but a Material Uncertainty does not exist (i.e., those "close call" situations). Since the inclusion of the definition of the phrase "Material Uncertainty" is significant, it is of utmost importance to users to have consistency in practice where these "close call" situations have occurred. • Interim Financial Statements – Deloitte notes the IAASB's comments regarding the revisions anticipated to ISRE 2410. Deloitte is of the view that further clarity is required with regards to ISRE 2410 when a Material Uncertainty arises and whether procedures should extend to those now required within ISA 570 (Revised) Going Concern.	Included in the AUASB submission. Noted in the AUASB submission and requested further application material. Noted in the AUASB submission and requested further application material. Noted but not specifically addressed in the AUASB submission. Noted however this is not in the IAASB's mandate. Noted for further consideration by the AUASB.

No.	Question	Respondent Comment	ATG Commentary
		<u>EY</u> Not addressed.	
17	Effective Date - Recognising that IAASB ED is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The AUASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ASA?	**<u>Nexia Australia</u>** Not addressed.	
		<u>Pitcher Partners</u> 18 months would provide a suitable time to begin educating management and those charged with governance as to the changes and the likely additional work they will need to undertake and document particularly in the private space.	Noted and consistent with the AUASB submission.
		<u>CA ANZ</u> Not addressed.	
		<u>CPA</u> Not addressed.	
		<u>Deloitte</u> Deloitte is supportive of this period allowing for implementation, however, note the changes arising as a result of the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Information* and IFRS S2 *Climate-related Disclosures* which will place significant constraints on resourcing. We similarly would recommend aligning the effective date to coincide with effective date beginning on or after 15 December 2026 (being the IAASB's Fraud project current implementation date) to align with traditional calendar-year end implementations and avoid multiple changes to the auditor's report in successive years.	Noted but this is a jurisdictional matter and not the IAASB.
		<u>EY</u> Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
Australian Specific Questions			
18	Whether you agree with the AUASB's preliminary view in relation to the Aus paragraphs and Appendices contained in the current ASA 570 (refer to paragraph 14 of the AUASB Consultation Paper)? In particular do you agree with the AUASB's preliminary view on the period of evaluation of management's assessment? If not, provide reasons why.	**<u>Nexia Australia</u>** In respect of the AUASB's preliminary view in relation to the Aus paragraphs and appendices referred to in paragraph 14 of the ED, we make the following comments: The ED proposes to extend the date of the period of management's assessment to be at least twelve months from the date of approval of the financial statements, which is different to the current guidance of 'the period of approximately twelve months from the date of the auditor's current report to the expected date of the next auditor's report'. We acknowledge the AUASB's preliminary view that, in most instances, the time difference between the ED and the current ASA 570 is likely to be minimal. However, there are certain scenarios where the period until an entity's subsequent financial report may be shorter than twelve months from the date of financial statement approval. These circumstances may arise due to changes in the entity's balance date or when financial reports for multiple financial years are prepared and audited within a relatively short timeframe, such as during an initial public offering or due to specific regulatory requirements. In such cases, we believe it is prudent for the auditor to consider the expected date of the next auditor's report while evaluating management's assessment of going concern. This consideration is essential to avoid extending the auditor's assessment period significantly beyond the next balance date. We are supportive of the retention of the other Aus paragraphs and Appendices as described in paragraph 14.	Noted for further consideration by the AUASB.
		<u>Pitcher Partners</u> Yes. Refer to response to question 7.	
		<u>CA ANZ</u> Auditors find [Aus] Appendix 1: Linking Going Concern Considerations and Types of Audit Opinions in extant ASA 570 useful, so this should be retained and revised as appropriate.	Noted for further consideration by the AUASB.
		<u>CPA</u> Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
		Deloitte Deloitte agrees with the AUASB's preliminary view in relation to the Aus paragraphs and Appendices contained in the current ASA 570. Deloitte is of the view that paragraph Aus 13.2 of the extant ASA 570 should be retained. Deloitte agrees that paragraph Aus 15.1 is no longer required as it is now covered by IAASB ED paragraph A40, which states that other than the enquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management.	Noted for further consideration by the AUASB.
		EY Aus paragraph/Appendix: 3.1 – Agree 13.1 – Agree 13.2 – Agree (i.e., do not amend ISA 570 for this matter). Where the next auditor's report is issued more than 12 months after previous auditor's report, this reduces the time covered by the auditor's report in respect of going concern. It is not necessary to explicitly state that the subsequent auditor's report supersedes the previous one. A15.1 – Agree A21.1 – Agree, Appendix 1 should be retained A33.1 – Agree A35.1 – Agree Appendix 1 – Agree Appendix 2 – Agree	Noted for further consideration by the AUASB.
19	Whether the proposed changes in the IAASB ED are adequately	**Nexia Australia** Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
	aligned with existing financial reporting requirements?	**Pitcher Partners** Refer to responses to other questions, specifically question 8. The responsibility for the assessment of going concern and the application of this in the preparation of the financial statements sits with management of the entity. The IAASB ED increases the requirements of the auditor in relation to assessing going concern, but there doesn't seem to be any planned changes to what and how management make their assessment, and no indications as to the communications of expectations with management (and those charged with governance).	Noted and included in the AUASB submission.
		CA ANZ We encourage the AASB to consider taking action to amend Australian Accounting Standards to address the current misalignment in requirements if the IASB does not amend the international accounting standards.	Noted and have encouraged the IAASB to continue its engagement with the IASB in the AUASB submission.
		CPA Refer to response to Question 13.	
		Deloitte Deloitte believes the proposed changes in the IAASB ED are aligned with existing financial reporting requirements, however, refer to comments above in questions (7) and (11).	Noted and included in AUASB submission
		EY If the main purpose of the revised standard is to encourage disclosure (as indicated in the Virtual Roundtable), it is imperative that AASB 101 *Presentation of Financial Statements* is amended first. Management are not required to comply with auditing standards, auditors are required to. AASB 101 requires management to assess going concern taking into account information about a period which is at least twelve months from the end of the reporting period. This requires updating to align with the auditing standard (i.e., at least twelve months from the date of approval of the financial report). We encourage the AUASB to open dialogue with the AASB if the IASB does not update IFRS for enhanced disclosure of management's assessment. Locally, the AASB can provide further guidance or requirements in this area.	Noted and included in AUASB submission

No.	Question	Respondent Comment	ATG Commentary
20	Whether the proposed changes in the IAASB ED have any corresponding impact on the current requirements of ISRE/ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*?	**<u>Nexia Australia</u>** In our opinion, the proposals will prima facie cause inconsistencies with ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*. As auditors utilise ASRE 2410 in the performance of disclosing entities' interim financial reports, we recommend that the Board undertake a detailed assessment of this standard should it proceed with the proposals in the ED.	Noted for further consideration by the AUASB.
		<u>Pitcher Partners</u> There are broader considerations as to the relevance and applicability of ISRE/ASRE 2410 and the interactions with auditing standard requirements. It is highlighted that we expect the period of assessment for going concern will equally extend to 12 months from the date of signing for ASRE 2410 review engagements. In relation to the flow on impacts to the auditor's review report, based on our response to question 13 we would expect: • No going concern issues – nothing included in the report • May cast significant doubt – included in KAMs only (where appropriate) therefore no impact on the review report • MURGC – would be similarly applicable as for the audit thus a separate section included in the review report.	Noted for further consideration by the AUASB.
		<u>CA ANZ</u> We support amending ASRE 2410 to reflect changes to ISA 570 where appropriate.	Noted for further consideration by the AUASB.
		<u>CPA</u> Not addressed.	
		<u>Deloitte</u> ISRE/ASRE 2410 articulates that the objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether anything has come to the auditor's attention that causes the auditor to believe that the financial report or the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.	Noted for further consideration by the AUASB.

No.	Question	Respondent Comment	ATG Commentary
		Paragraphs 49 – 53 detail the requirements of the auditor in expressing an appropriate conclusion depending on whether adequate disclosure has been made in the financial report and the related application material indicates that ASA 570 Going Concern provides information that the auditor may find helpful in considering going concern in the context of the review engagement. Deloitte believes, however, that the standard could provide more prescriptive requirements on the auditor to articulate to what extent the auditor is required to apply the requirements of ASA 570 Going Concern if a Material Uncertainty arises and the resulting impact on the auditor's report. Deloitte is of the view that the extended requirements set out in the IAASB ED should be applicable in the context of a review engagement where the auditor has identified a Material Uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern.	
		EY No impact.	
21	Have applicable laws and regulations been appropriately addressed in the proposed standard and are there any references to relevant laws or regulations that have been omitted?	**Nexia Australia** Not addressed.	
		Pitcher Partners No further comments.	
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte Deloitte considers that all applicable laws and regulations have been appropriately addressed in the proposed standard.	
		EY No omissions identified.	

No.	Question	Respondent Comment	ATG Commentary
22	Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 20-22 of the AUASB Consultation Paper)	**Nexia Australia** Not addressed.	
		Pitcher Partners No further comments.	
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte Deloitte does not believe there are any laws or regulations that prevent or impede the application of the proposed standard or may conflict with the proposed standard.	
		EY None identified. However, whilst not a regulation, consider impact, if any, on Guidance Statements e.g., GS018 Franchising Code of Conduct – Auditor's Report. In addition, we recommend AUASB seek the views of APRA and ASIC (for AFSL reporting) in relation to liquidity, working capital and solvency requirements etc. that may be impacted.	Noted for further consideration by the AUASB.
23	Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 20-22 of the AUASB Consultation Paper).	**Nexia Australia** Not addressed.	
		Pitcher Partners No further comments.	
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte	

No.	Question	Respondent Comment	ATG Commentary
		There are no other principles or practices, other than that noted in Appendix II (refer commentary in question (25) below), which Deloitte believes should be maintained and which do not prevent or impede the application of the IAASB ED.	
		EY Whilst we agree the proposed standard is scalable for type and size of entity, it does not appear to allow scalability in relation to scenarios where there is no risk in relation to the entity's ability to continue as a going concern (history of profitability and ready access to financial resources). This is inconsistent with ASA 315 and ASA 330, where the auditor would not be required to design a response where there is no risk of material misstatement. In addition, refer to EY Global views in response to Q10 above, which recommends additional application guidance in relation to the following paragraph: 27. If management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, the auditor shall evaluate the intent and ability of those parties to maintain or provide the necessary financial support. (Ref: Para. A52–A54).	Included in AUASB submission.
24	What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standard? If significant costs are expected, the AUASB would like to understand: a) Where those costs are likely to occur; b) The estimated extent of costs, in percentage terms (relative to audit fee); and	**Nexia Australia** Not addressed.	
		Pitcher Partners Refer to responses to other questions. The additional procedures and requirements to include specific information directly in the auditor's report will necessitate additional time, effort, review and supervision which will likely include the engagement partner, engagement quality reviewer (where applicable) and technical departments, and possibly even lawyers given the importance of the going concern position and any potential use of the documentation in a litigation matter.	
		CA ANZ Not addressed.	
		CPA Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
	c) Whether expected costs outweigh the benefits to the users of audit services?	**Deloitte** Deloitte does not believe that the expected costs outweigh the benefits to users of audit services, however, as noted in question (3) above regarding scalability concerns, there is considered to be a significant uplift in costs relative to audit fee, based on current drafting when considering that size and complexity of an entity is not relative to going concern risks and therefore extent of procedures and the prominence of this paragraph in every auditor's report (based on current drafting). These additional procedures will extend throughout the audit from risk assessment to concluding. It is expected that the main costs in implementation will arise in the year preceding adoption in refining the assessment of management's controls as to the input, method and processing and the associated assessment of management's controls in this regard.	
		EY Additional costs to the firm: • Amend internal process including audit applications and templates e.g., audit reports, management representation letters etc. • Train staff on requirements of new standard (developing training and cost of all staff attending training) • Implement an initial program to review the "procedures" as described (similar to when KAMs were introduced) Additional costs to individual teams: • Performing audit procedures in all cases, not just when a risk of material misstatement exists (incl. testing the relevance and reliability of information) (refer to response to Q.23) • Write "how the auditor evaluated management's assessment of the entity's ability to continue as a going concern" sections.	
25	What, if any, implementation guidance auditors, preparers and other stakeholders would like the AUASB to issue in conjunction with the release of ASA 570	**Nexia Australia** Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
	(specific questions/examples would be helpful)?	**Pitcher Partners** Clarity on the guidance the AUASB intends to publish for those charged with governance or how they will engage with the director community to ensure that the increased focus is not entirely placed on the auditor.	
		CA ANZ Not addressed.	
		CPA Not addressed.	
		Deloitte Deloitte is supportive of the illustrative guidance, which is included within ASA 570, as reflected in Appendix II below, as an example illustration which is helpful to the practice in determining the appropriate auditor's report to be issued after considering IAASB ED updates.	
		EY We also recommend that example reports and implementation guidance be added as appendices to the standard.	
26	Are there any other significant public interest matters that stakeholders wish to raise?	**Nexia Australia** Not addressed.	
		Pitcher Partners The entire standard is focused on the auditor's responsibilities - what or how will the additional responsibilities be communicated to management and other stakeholders such as directors who are responsible for the documentation and decision making in the first instance? Additionally, clarity to the investing community that going concern is significantly different from an endorsement of the business model or the entities likelihood of achieving its objectives and budgets, going concern is whether the entity will survive, not necessarily thrive.	
		CA ANZ Not addressed.	

No.	Question	Respondent Comment	ATG Commentary
		CPA Currently, in our view, the requirements in AASB 101/IAS 1 paragraphs 25-26 do not adequately address disclosure of management's going concern assessment. Whilst advocacy efforts with the IASB continue for an internationally consistent solution, we recommend the Australian Accounting Standards Board (AASB) develops disclosures similar to those developed by the New Zealand Accounting Standards Board, to complement the requirements in IAS 1. We suggest the AUASB communicate this suggestion to the AASB and engage with them in progressing the development of appropriate financial reporting requirements.	
		Deloitte Other going concern considerations – Deloitte notes that there are additional responsibilities as it pertains to the directors/ management's responsibilities when considering solvency requirements, pursuant to section 588G of the Corporations Act, however, currently the Australian Institute of Company Directors has not stipulated the responsibilities of directors in this regard. Deloitte considers that the IAASB ED should extend audit procedures to include such other matters which are related to going concern as noted above.	
		EY No.	

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