

Submitted via the IAASB website

Tom Seidenstein
Chair
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York

Subject: Exposure Draft, the IAASB's proposed International Standard on Auditing (ISA) 570 (Revised) Going Concern

Dear Mr Seidenstein:

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the recent International Auditing and Assurance Standards Board's (IAASB) Exposure Draft (ED) – the proposed International Standard on Auditing (ISA) 570 (Revised) Going Concern (ISA 570) – issued in April 2023.

The IAIS supports the IAASB's proposed amendments to ISA 570 as going concern is an important audit issue, especially given experiences relating to certain recent failures of corporate and financial institutions around the world.

As the IAASB works on finalising the proposed ISA 570, it may wish to consider the following points.

General Comments:

Promoting consistent practice and behaviour

The IAIS supports the enhanced and new requirements in paragraphs 11-15 of ISA 570, which include a requirement for auditors to design and perform risk assessment procedures to identify events and conditions that may cast doubt on the entity's ability to continue as a going concern. These requirements, together with the associated guidance, ensure that ISA 570 is scalable, relevant and can be implemented globally and more consistently than the existing standard.

In addition, the IAIS welcomes the new application material in A7 of ISA 570 that provides examples of when an identified event or condition may present a fraud risk factor to be further considered and addressed by the auditors. The use of examples promotes consistent practice and behaviour amongst auditors. These also facilitate an effective and timely response to identified risks of material misstatements due to an entity's going concern risk.



Enhancing transparency with respect to the auditor's responsibilities

The IAIS supports the explicit inclusion of a new paragraph in the auditor's report with the title "Going Concern" or "Material uncertainty related to Going Concern" for all entities as this offers transparency to all users of the financial statements that the auditors have fulfilled their responsibilities in accordance with ISA 570. Explicit inclusion of a going concern paragraph may help ensure less use of "boilerplate" wording in the auditor's report.

In addition, this new paragraph aligns with the description in ISA 700 "Forming an Opinion and Reporting on Financial Statements" leading to enhanced communication and reporting requirements, thereby reducing the expectations gap between the auditors and management.

Linkage to other ongoing IAASB projects – eg ISA 315, ISA 330, ISA 540 and ISA 720

The IAIS supports the proposed linkage of ISA 570 to other ISAs, as this ensures continued relevance and coherence between the ISAs.

Enhancing the link of ISA 570 to ISA 315 "Identifying and Assessing the Risks of Material Misstatement" ensures that the auditors are required to design and perform appropriate risk assessment procedures in a manner that is not biased towards audit evidence that may be corroborative and that does not exclude audit evidence that could be contradictory when it comes to going concern risk.

Linking to ISA 330 "Auditor's Responses to Assessed Risks" ensures that consistent, appropriate responses are provided by auditors when facing the risks of material misstatement as a result of going concern risks.

Linking to ISA 540 "Auditing Accounting Estimates and Related Disclosures" is welcome, as ISA 540 is crucial to the financial statements of insurers. In part, this reflects the significant judgements and estimates required in implementing IFRS 17 Insurance Contracts and applicable national financial reporting frameworks.

Additional links between ISA 570 and ISA 540 could be added by supplementing the supporting material for ISA 570 regarding 1) when auditors evaluate management's assessment of the entity's ability to continue as a going concern (ED-ISA 570 para 17-19); and 2) when auditors evaluate management's plans for future action, if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (ED-ISA 570 para 26).

Consideration of whether to update ISA 720 "Auditor Responsibilities Relating to Other Information" with the finalisation of ISA 570 is important, as this clarifies the auditor's responsibilities.

Public interest issues

The IAIS is supportive of the IAASB's consideration of public interest issues that are intended to enhance or clarify the proposed ISA 570.



The IAIS agrees that considering scalability and proportionality issues when developing ISA 570 ensures that there is consistent application of the standard regardless of the nature, size and complexity of the entities, facilitating effective responses to any risks of material misstatements related to going concern. Considering relevance in ISA 570 is important as it ensures that auditors can respond in a timely manner to emerging risks, changes in stakeholder needs, and rapidly evolving business and technological environments.

The annex to this letter provides responses to those questions raised in the ISA 570 Exposure Draft, where the IAIS had specific comments.

This comment letter was prepared on behalf of the IAIS by its Accounting and Auditing Working Group (AAWG) in consultation with IAIS members. If you have further questions regarding this letter, please contact Lydia Kimumwe at the IAIS Secretariat (tel: +41 61 280 8679; email: lydia.kimumwe@bis.org) or Markus Grund, Chair of the AAWG (tel: +49 228 4108 3671; email: markus.grund@bafin.de).

Kind regards,

A handwritten signature in blue ink, appearing to read 'Victoria Saporta'.

Victoria Saporta
Chair, Executive Committee

A handwritten signature in black ink, appearing to read 'Matt Walker'.

Matt Walker
Chair, Policy Development Committee

About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. Learn more at www.iaisweb.org.



Annex – Specific Questions

Overall questions

1. Do you agree that the proposals in ED-ISA 570 are responsive to the public interest?

The IAIS is of the view that the proposals included in the Exposure Draft address the public interest expectations for a more robust evaluation of management’s assessment of going concern and greater transparency on the auditor’s responsibilities and audit work related to going concern.

However, it should be noted that some audit report requirements apply exclusively to listed entities (para 34 (d)). The IAIS believes that the scope of these specific provisions could be extended to public interest entities as defined by local jurisdictions, particularly for unlisted insurers.

2. Do you believe that the proposals in ED-ISA 570, considered collectively, will enhance and strengthen the auditor’s judgements and work relating to going concern in audit of financial statements.

Yes. For example, the IAIS supports the enhanced and new requirements in para 11-15 of ISA 570, which include a requirement for auditors to design and perform risk assessment procedures to identify events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern. These new requirements, together with the associated guidance, ensure that ISA 570 is scalable, relevant and can be implemented globally and more consistently than the existing standard.

The IAIS also supports the explicit inclusion of a new paragraph in the auditor’s report with the title “Going Concern” or “Material uncertainty related to Going Concern” for all entities, as this offers transparency to all users of the financial statements that the auditors have fulfilled their responsibilities in accordance with ISA 570. Explicit inclusion of a going concern paragraph may ensure less use of “boilerplate” wording in the auditor’s report.

3. Do you believe the proposed standard is scalable to entities of different sizes and complexities.

No comments.

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

The IAIS supports the enhancement proposed in ED-ISA 570 regarding the exercise of professional scepticism when evaluating management’s assessment of the entity’s ability to continue as a going concern (para 18) and evaluating the audit evidence obtained (para 29).



In the area of professional scepticism, the IAIS encourages the IAASB to continue its close coordination with the IESBA. Such coordination on ethical issues remains important in the area of going concern auditing, particularly the provisions relating to the auditor's duty to alert the relevant authorities at a sufficiently early stage, which requires the exercise of the auditor's professional judgment.

Specific questions

5. Do you support the definition of Material Uncertainty (Related to Going Concern)?

The IAIS supports the proposed definition of Material Uncertainty (Related to Going Concern) as set out in para 10.

However, given that the new definition relies on the auditor's professional judgement, the IAIS suggests introducing greater clarity on the basis required to form that professional judgement.

In addition, the IAIS believes that the application material in A5 is very useful in clarifying the meaning of "may cast significant doubt", which is a key concept arising from the new definition of Material Uncertainty (Related to Going Concern). Consequently, the IAASB should consider adding some of the application material in A5 to the definition in the standard itself.

6. Do you support the change in commencement date of the twelve-month period of management's assessment of going concern?

The IAIS supports the proposed timeline extension for going concern assessment to a twelve-month period of management assessment from the date of financial statements approval. This change should give more time for auditors to identify and clarify uncertainties.

It would increase consistency globally, as some jurisdictions have amended their national going concern standards to require the commencement date of the twelve-month period of management's assessment to be the date the financial statements are issued or approved or when the auditor's report is signed.

7. Do you support the enhanced approach in ED-ISA 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 IAIS supports the requirement to design and perform audit procedures to evaluate management's assessment of going concern (para 17) as well as application material in A31 of ISA 570, which provides examples of how the evaluation of management's assessment of going concern can be carried out in a scalable way.

The IAIS welcomes the requirement under the revised ISA 570 for the auditor to perform audit procedures on management's going concern assumptions in a way that is not biased (para 18), thereby reinforcing the use of professional scepticism throughout the audit process. Professional



scepticism is further supported by the requirements relating to the evaluation of audit evidence in para 29 and the application material in A32 and A57-60. This is also supported by the inclusion of the methods, assumptions and data outlined in application material A34-A37 (ED-ISA 570) for use in assessing management's going concern assessment.

The IAIS also supports the application material included in A47-A51 that guides auditors in evaluating management's plans for future actions and determining whether management has the intention and ability to carry out the specific courses of action. The introduction of the additional application material ensures that ISA 570 can be implemented more consistently worldwide.

8. 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 IAIS supports the inclusion of para 40 of the ED-ISA 570, a requirement for auditors to determine whether law, regulation or relevant ethical rules require them to report to an appropriate authority outside the entity.

This new requirement should enhance transparency, particularly for prudential authorities, when applicable, with respect to the auditor's responsibilities.

In addition, examples and factors for the auditor to consider when reporting to an appropriate authority are very helpful (para A90 – A93).

However, the IAIS suggests introducing additional provisions requiring the auditor to inform relevant authorities about issues related to going concern, where there is no legal provision to the contrary.