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Deloitte ISA570 Sub 5

The Chairman  
Australian Auditing and Assurance Standards Board  
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Dear Chairman

## Consultation paper – Exposure of the IAASB’s Proposed ISA 570 (Revised), *Going Concern*

Deloitte Touche Tohmatsu (Deloitte) is pleased to have the opportunity to provide comments on the Australian Auditing and Assurance Standards Board’s (AUASB) Consultation Paper on the exposure draft of the proposed International Standard on Auditing (ISA) 570 (Revised), *Going concern* (IAASB ED or the proposed standard) issued by the International Auditing and Assurance Standards Board (IAASB or the Board) in May 2023.

We appreciate the approach the IAASB has undertaken to identify and propose changes to the extant ISA 570, *Going Concern*. In our view these changes will promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern. It will also strengthen the auditor’s evaluation of management’s assessment of going concern and enhance transparency with respect to the auditor’s responsibilities and work related to going concern, including strengthening communications and reporting requirements.

Deloitte supports the overall direction of the IAASB ED, in particular with respect to the more significant concepts as outlined in the proposed standard:

- a) Introducing a definition of the phrase “Material Uncertainty” and providing clarity for other terminology used in the standard;
- b) Increasing the period of the auditor’s evaluation of management’s assessment of going concern to *at least twelve months* from the date the financial statements are approved, however, please refer to further commentary in question (7) overleaf;
- c) Introducing new requirements for the auditor to evaluate the intent and ability of a third or related party when financial support by such parties is necessary to support management’s assessment of going concern, however, please refer to further commentary in question (10) overleaf;
- d) Strengthening the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism;
- e) Modernising ISA 570 to be adaptable to the current business and audit environment, and the impact of technology on the auditor’s work related to going concern, and
- f) Enhancing transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements, however, please refer to further commentary in question (13) overleaf.

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Whilst we believe the enhancements and clarifications will strengthen the auditor's efforts to drive further quality improvements when performing audit procedures related to going concern, we do, however, have more significant concerns which we have outlined below and in more detailed comments in the Appendices.

**Significant concerns:**

- Description of "close calls" in the auditor's report when "events or conditions have been identified" even when no Material Uncertainty exists (refer to question (14) overleaf):

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.

- 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 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.

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.

*Based on the audit evidence obtained, ~~we~~ we have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. ~~Based on the audit evidence obtained, and~~ we have not identified a Material Uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. **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.***

- International accounting framework not addressing the issue of management's assessment period (refer to question (7) overleaf):

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."

We have outlined our responses, in addition to those made in this letter in Appendix I, "Response to Requests for Comments".

We appreciate the opportunity to provide perspectives on the IAASB ED and would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (jacqustrydom@deloitte.com.au) or at 07 3308 7244.

Yours sincerely

Jacques Strydom  
National Professional Practice Director (NPPD)  
Deloitte Touche Tohmatsu

## APPENDIX I - RESPONSE TO REQUESTS FOR COMMENTS

Deloitte's responses to the detailed questions included in the AUASB's Consultation Paper accompanying the proposed standard are set forth in this appendix. In these comments, recommended additional text is shown using **bold underline**; recommended deletions to the text are shown using double ~~strikethrough~~.

### 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)?**

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.

**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 in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?**

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).

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?

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 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 suitable audit procedures, **after consideration of all risk assessment procedures and mitigating factors**, 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.

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

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.

## 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”?**

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.

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 doubt on the entity’s ability to continue as a going concern?**

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:

<p>11. <del>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</del> <b><u>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</u></b> events or conditions exist <b><u>at year end</u></b> that may cast significant doubt on the entity’s ability to continue as a going concern.</p>
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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 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)?**

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~~ **the auditor's report on** 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.

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?**

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).

9. **Does IAASB ED 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?**

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**

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?**

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:

- 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.

**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?**

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).

**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?**

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 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.

**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?**

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 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.

**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?**

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.

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 auditor's reports would benefit a variety of stakeholders and better protect public monies through the standards objective.

- 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.**

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 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.

- 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.**

- Implications for the auditor's report –
  - 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.

**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?**

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.

### **Australian Specific Questions**

The AUASB is especially interested in stakeholders’ views on:

**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 above)? 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.**

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.

**19. Whether the proposed changes in the IAASB ED are adequately aligned with existing financial reporting requirements?**

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).

**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*?**

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.

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.

**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?**

Deloitte considers that all applicable laws and regulations have been appropriately addressed in the proposed standard.

**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 this Consultation Paper).**

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.

**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 this Consultation Paper).**

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.

**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**
- (c) Whether expected costs outweigh the benefits to the users of audit services?**

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.

**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 (specific questions/examples would be helpful)?**

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.

**Are there any other significant public interest matters that stakeholders wish to raise?**

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.

APPENDIX II – LINKING GOING CONCERN CONSIDERATIONS AND TYPES OF AUDIT OPINIONS

