



National Association of State Boards of Accountancy

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International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York, NY 10017

Via website: [www.iaasb.org](http://www.iaasb.org)

**Re: Exposure Draft: Proposed International Standard on Auditing 570 (Revised 202X),  
Going Concern, and Proposed Conforming and Consequential Amendments to Other ISAs**

Dear Members and Staff of the IAASB:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the *Proposed International Standard on Auditing 570 Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. Our comments on the Exposure Draft are made in consideration of the Boards' of Accountancy charge as regulators to protect the public interest.

In furtherance of that objective, NASBA supports the IAASB in this initiative. We commend the IAASB for the due diligence in considering the recent standard-setting action in certain jurisdictions as it relates to going concern. NASBA offers the following comments.

### **Transparency**

In Paragraph 33(a), the Exposure Draft includes a new requirement to enhance transparency in the auditor's report whereby the auditor's conclusions about going concern are explicitly communicated: "We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statement is appropriate. Based on the audit evidence obtained, 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." The Exposure Draft further explains that the report could be expanded to address the fact that there are risks to the business that may have a material negative impact on the business, if one or more were to occur in the future.

NASBA is supportive of the change in approach to going concern in the Exposure Draft, in the interest of transparency. Nevertheless, NASBA is concerned that a reader could be misled on the

extent of assurance that the auditor is providing as to going concern, especially when more prominence is given to this topic in the auditor's report as compared to other items. We are also concerned about the unintended impression that the focus on going concern may have on the public as to the capabilities of auditors to see into the future. NASBA recommends that, in addition to the proposed requirement, tempering language that explains the risks associated with going concern be included.

### **Twelve-Month Period of Management's Assessment**

In considering the commencement date of the twelve-month period of management's assessment of going concern, we understand the IAASB considered several possible dates, as defined in ISA 560, including the date of approval of the financial statements, the date of the auditor's report and the date the financial statements are issued. Ultimately, the date of approval was decided on because, in most jurisdictions, this date is a widely recognized date that may also be prescribed in statutory requirements.

NASBA supports a change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to a more current date. From a public protection standpoint, we recommend using the date of issuance as that provides the most current assessment of going concern possible and the latest date that the auditors are associated with the financial statements.

### **Going Concern Basis of Accounting**

The Exposure Draft includes new requirements in Paragraph 34 when a material uncertainty related to going concern exists. The requirement is illustrated as follows:

"We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern."

The going concern basis of accounting is the standard. In the case of a report that includes the comment, "that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern", the reader might reasonably question why the auditor is also stating that the use of the going concern basis is appropriate.

To avoid confusion, NASBA recommends that if there is a comment on the ability of the entity to continue as a going concern in the report, the first sentence, "We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is

appropriate”, should be omitted from the report. As an alternative, a final sentence which parallels reporting under United States standards should be added. The added sentence would read: “Our report has not been modified with respect to this matter.”

**Basis for Disclaimer of Opinion**

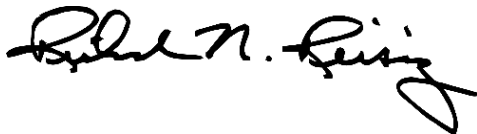
The Exposure Draft includes a conforming amendment to Paragraph 19 of ISA 705 (Revised) that includes providing a statement in the Basis for Disclaimer of Opinion that the auditor is unable to conclude on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty exists.

Inclusion of that statement would be appropriate if going concern is the only issue. However, disclaimers of opinion are made for other reasons and such reasons should be only the ones stated in the auditor’s report. In such cases, the reference to the inability to conclude on the use of the going concern basis of accounting should not be made. The focus should be on the other factors that preclude the auditors from reporting.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,



Richard N. Reisig, CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO