Crowe U.K. LLP
Chartered Accountants
Member of Crowe Global
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.crowe.co.uk

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The Financial Reporting Council
8th Floor,
125 London Wall,
London
EC2Y 5AS

By email: AAT@frc.org.uk

Our Ref: MS/JC

Dear Sir/Madam

Invitation to comment on Exposure Draft of ISA 570 (UK)

We are pleased to provide Crowe's response to the Invitation to comment the exposure Draft of ISA (UK) 570.

Crowe is one of the top 10 audit firms in the UK by audit fee income with more than 800 people nationally. It is the UK member of Crowe Global, the eighth largest accounting network in the world with revenues of $4.3 billion and more than 36,000 partners and professionals in 130 countries.

We audit over 50 listed companies, most of whom are listed on the AIM market and we are consistently ranked in the top 10 list of auditors by number of listed company audits in the quarterly Corporate Advisers Rankings Guide.

For 10 successive years Crowe has been the leading auditor of charities, topping the Charity Finance and Charity Financials Audit Survey for 10 successive years. We are also widely regarded as one of the leading auditors to pension schemes.

The going concern assumption is fundamental to financial statements and we welcome proposals to strengthen the audit of this key area. The assessment of going concern, however, remains the responsibility of the management of an entity. Any extension of the requirements and responsibilities of auditors in respect of going concern should be linked to clear guidance on the responsibilities and expectations of management on going concern.

We trust that you will find our contribution of assistance.

Yours faithfully

Crowe U.k. LLP

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Request for Comments

Comments are invited in writing on all aspects of the Exposure Draft of ISA (UK) 570. In particular, comments are sought in relation to questions 1–10 below:

Consultation question	Response
1. Has ISA (UK) 570 been appropriately revised to promote a more consistent and robust process in respect of the auditor's responsibilities in the audit of financial statements relating to going concern going concern? If you do not consider this to be the case, please set out why?	Yes, subject to our reservations to the proposed change on audit reporting (see our response to question 7) we believe the revised standard will promote greater consistency in respect of the audit of going concern.
2. Do you believe that the revisions appropriately address the public interest?	The proposals should improve consistency in audit work however we do not believe there is clear public interest in revision of audit for all entities. In particular we do not believe there is evidence of a systemic weakness in this area as would be shown by a large number of unexpected corporate failures.
3. Will the revisions promote a more robust process for:	
a) Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and internal control relevant to going concern?	The guidance provides a clear framework for evaluation of going concern. In our view this work should already be undertaken in an audit of financial statements. We expect the revised standard will promote consistency of audit work in this area.
b) Obtaining sufficient appropriate audit evidence in relation to the adequacy of management's assessment	We expect the revised standard will promote consistency of audit work in this area.
4. In making an assessment of going concern, the directors are required to consider a period of at least 12 months. In evaluating the directors' assessment should the auditor be required to consider a longer period, and if so what should it be?	No. In our view the current guidance is appropriate. For many SME businesses forecasting reliably twelve months ahead is a challenge. We do not believe the current requirements need to be extended for all audits. There may be a case to require Director's to assess going concern for a longer period for large listed entities, but the auditor should not

Consultation question	Response
	be required to consider a period longer than that required by management. Where companies issue a Viability Statement the standard should more clearly explain the differences between this and the going concern assumption and the expectation of the auditor in relation to them. From one reading of the standard it would seem that the period for assessing going concern can be different to the period used to assess viability but this is not explicit. A lack of clarity on such an important issue does not help close the expectation gap that already exists with going concern.
5. Is it sufficiently clear from the revisions to the standard that the auditor is required to first identify whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern before considering whether there are factors which may mitigate those events or conditions?	Yes. In our view the revision to the objectives provides welcome clarity on the audit objectives.
6. Do the proposals sufficiently support the appropriate exercise of professional scepticism throughout the risk assessment procedures, evaluation of management's assessment and evaluation of audit evidence obtained?	Yes – we believe the guidance will assist auditors in demonstrating appropriate challenge to the going concern assessment provided by management.
7. Do you agree with the proposals for auditors of all entities to provide an explanation of how the auditor evaluated management's assessment of going concern (including key observations) and to conclude on going concern in the auditor's report?	No we do not agree that this proposal will provide useful information in the audit report. In most circumstances the statements will set out the standard procedures and this will encourage 'boiler-plate' wording. For entities applying ISA (UK) 701 there is already the ability to include going concern as a key audit matter. We see no benefit to extending audit reporting in this way.

Consultation question	Response
8. Are the requirements and application material sufficiently scalable, including the ability to apply ISA (UK) 570 (Revised) to the audits of entities with a wide range of sizes, complexities and circumstances?	The guidance is sufficiently scalable, but as set out in our response to question 10, practical guidance on the application of the standard is needed.
9. Do you agree with the proposed effective date (aligned to the effective date of ISA (UK) 540 (Revised December 2018)?	Yes
10. Do you agree with the withdrawal of Bulletins 2008/1 and 2008/10 as set out in **paragraph 1.20**? Is there guidance in these Bulletins which has not been included in the revised standard which remains useful and should be included?	We do not agree that these Bulletins should be withdrawn until further practical guidance is issued. In particular we consider Bulletin 2008/10 to be a well written practical guide that has stood the test of time. The application guidance provided is very general in nature and we believe there should be greater clarity by way of guidance and examples of how this guidance would operate in practice. The standard stresses that the evidence and audit procedures on going concern should be scalable but there is a strong need for clearer guidance For example the bulletins provide clear guidance on consideration of the going concern basis when an entity has annually renewable bank facilities. This along with similar guidance is of great assistance in consideration of going concern by auditors and management.
11. What mechanisms should the FRC employ to ensure there is widespread awareness of the Director's responsibilities in respect of going concern?	The FRC should develop and extend the guidance already issued to Director's in order to give clear examples of how they should discharge their responsibilities in practice. It is vital that the requirements on management and on auditors in this area are aligned.