

Proposed International Standard on Auditing (UK) 570 (Revised) Going Concern – Perendie's 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?

NO – PLEASE SEE WHY AT THE END OF THE RESPONSE

2. Do you believe that the revisions appropriately address the public interest?

NO

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?

NO

b) Obtaining sufficient appropriate audit evidence in relation to the adequacy of management's assessment

NO

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

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

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

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

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?

YES

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?

YES

Is there guidance in these Bulletins which has not been included in the revised standard which remains useful and should be included?

NO

11. What mechanisms should the FRC employ to ensure there is widespread awareness of the Director's responsibilities in respect of going concern?

USE A SELF-FUNDING DIGITAL PLATFORM TO MAKE PUBLICLY AVAILABLE A SINGLE PICTURE OF EVERYTHING AN ORGANISATION IS AIMING AND *LIKELY* TO ACHIEVE, DO AND EMPLOY SO THAT ANYONE CAN AUDIT THE COMPANY AT ANY TIME, CHALLENGE MANAGEMENT ABOUT ISSUES THEY NOTICE, AND ASSESS WHETHER THE COMPANY IS A GOING CONCERN.

RATIONALE

The current approach to the assessment of whether a company is a going concern is fundamentally flawed because the assessments are based on historical data and past performance is not an indicator of future results.

The solution is to make publicly available on a self-funding digital platform a single picture of everything the organisation is aiming and *likely* to achieve, do and employ so that anyone can audit the company at any time, challenge management about issues they notice, and assess whether the company is a going concern.