

Going Concern

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AGENDA

- Background
- SEIAG Members' Views on the State of Auditor Going Concern Reporting
- Auditor Procedures to Evaluate a Company's Ability to Continue as a Going Concern
- Auditor Reporting of Going Concern Matters

SEIAG MEMBERS' VIEWS ON THE STATE OF AUDITOR GOING CONCERN REPORTING

Questions for Discussion:

1. In general, how do stakeholders use the paragraph on going concern in the audit report to inform investment decisions (i.e., is current auditor reporting decision-useful)?
2. In general, what are your views on the use of information external to the company and/or the use of emerging technologies as part of the auditor's evaluation of a company's ability to continue as a going concern?

SEIAG MEMBERS' VIEWS ON THE STATE OF AUDITOR GOING CONCERN REPORTING (CONT'D)

Questions for Discussion:

3. Are there differences between how auditors and users of audit reports view auditor responsibilities regarding going concern? For example, is more transparency needed about the purpose of the auditor's work in relation to the evaluation of a company's ability to continue as a going concern? Do users of audit reports expect that going concern evaluation and reporting are designed to predict bankruptcy?

AUDITOR PROCEDURES TO EVALUATE A COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

Questions for Discussion:

4. In your experience, what audit procedures are commonly performed to (i) identify conditions and events that indicate there could be substantial doubt about the company's ability to continue as a going concern, and (ii) evaluate the company's going concern assessment?
5. In your experience, what factors are most relevant in determining if conditions and events indicate that there could be substantial doubt about a company's ability to continue as a going concern?

AUDITOR PROCEDURES TO EVALUATE A COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN (CONT'D)

Questions for Discussion:

6. In your experience, what audit evidence is generally necessary to conclude that a company's plans alleviate the adverse effects of conditions and events that raise substantial doubt about the company's ability to continue as a going concern?
7. How can the auditor's procedures be enhanced? Are there opportunities to improve the required audit procedures when evaluating the company's going concern assessment or when evaluating the company's plans to alleviate the adverse effects of conditions and events that raise substantial doubt about the company's ability to continue as a going concern? If so, what are those opportunities?

AUDITOR REPORTING OF GOING CONCERN MATTERS

Questions for Discussion:

8. Is the content of the auditor's going concern paragraph useful to investors? Can the auditor's reporting of going concern matters be enhanced to be more useful to investors? If so, how?
9. Would additional information about "close call" situations, beyond those that might already be contained in some critical audit matters, be useful to investors? For example, would additional information about the auditor's determination of whether conditions and events raise substantial doubt, or whether the company's plans alleviate substantial doubt, be useful to investors?

AUDITOR REPORTING OF GOING CONCERN MATTERS (CONT'D)

Questions for Discussion:

10. Staff Audit Practice Alert No. 13, *Matters Related to the Auditor's Consideration of a Company's Ability to Continue as a Going Concern*, states that management's going concern evaluation under the applicable financial reporting framework is not conclusive to the auditor's evaluation under AS 2415. What challenges do auditors have under today's model in reporting "close call" situations?