



Agenda Item 1B

Proposed Statement on Auditing Standards *Going Concern*

Comment Letter Analysis

Note: the analysis was prepared before the Task Force's meeting. Further changes to this analysis may be necessary as a result of the Task Force's discussions. The analysis will be updated after the ASB meeting.

General Questions

The ASB sought comments specifically on changes resulting from applying the clarity drafting conventions and converging with the ISA, and their effect on the content of the SAS. Respondents were asked to respond, in particular, to the following questions:

1. Should the standards be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement? If so, how would the auditor apply the requirements of AU-C section 570 (that is, would specific procedures need to be performed), including concluding whether substantial doubt exists about an entity's ability to continue as a going concern?
2. If commenters believe that AU-C section 570 is not applicable to audits of single financial statements and specific elements, accounts, or items of a financial statement, is the application guidance related to risks and uncertainties sufficient in considering whether appropriate disclosures have been made?

List of Responders

	<i>Responders</i>
1	Laura Lindal
2	TN State Audit
3	RSM
4	KPMG
5	Michigan State Auditor
6	NASBA
7	PICPA
8	ICPAS
9	Virginia APA
10	Montana Auditor
11	PwC
12	NSAA
13	Sikich
14	EY
15	AICPA--TIC
16	Kentucky Society
17	Grant Thornton
18	Deloitte
19	US HHS
20	BDO

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
1.	1	Gen	Thank you for the examples in A38, A39, A41.	No	Noted
2.	3	Gen	Overall, we are supportive of the proposed requirements. We agree it is appropriate to include an emphasis-of-matter paragraph in the auditor's report if, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains. We also agree it is appropriate to permit, but not require, the inclusion of an emphasis-of-matter paragraph in the auditor's report if conditions or events, considered in the aggregate, have been identified that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, but based on the audit evidence obtained, the auditor concludes that substantial doubt has been alleviated by management's plans.	No	Noted
3.	3	Gen	We believe it is appropriate for the auditor to express an adverse opinion if the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's use of the going concern basis of accounting is inappropriate. However, we would extend the requirement for the auditor to express an adverse opinion to situations in which management concludes there is not substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, and the auditor disagrees with that conclusion. This extended requirement would add clarity to the requirement for the auditor to express either a qualified or adverse opinion, as appropriate, if adequate disclosure about an entity's ability to continue as a going concern for a reasonable period of time is not made in	Y	If auditor is concluding substantial doubt it is similar to a GAAP departure. Changes to the proposed standard discusses the auditor should evaluate the impact on the auditor's opinion (see paragraph 27). We did not want to say it is automatically an adverse opinion if the only disclosure missing is substantial doubt it might be auditor judgment whether it

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			the financial statements.		is adverse, qualified, or no impact. We did add application guidance to highlight if substantial doubt is not disclosed it is an error to consider. See paragraph A42A.
4.	9	Gen	<p>Overall, we believe that the standard should better address the impact on government entities. While this standard has many implications for business-oriented entities, going concern issues will often not be applicable to primary governments. As is noted in GASB Statement 56, paragraph 18, with regards to evaluating an entity as a going concern, “some conditions or situations... should be assessed differently for governments.” We suggest adding an additional explanatory paragraph to address considerations specific to governments.</p> <p>Furthermore, we suggest the addition of a definition that explicitly details the going concern basis of accounting, referenced throughout the proposed statement. The Board has not clearly defined or explained this phrase within the statement in a manner that would create a universal understanding across all reporting frameworks.</p>		<p>See Issue #IV in the Issues Paper</p> <p>No change for definition of going concern basis of accounting as this is an accounting concept not an auditing concept.</p>
5.	10	Gen	In audits of governmental entities, such as the state of Montana, its universities, departments, and major enterprise activities, the risk of these entities not continuing as a going concern is usually low, so standards that compel auditors and management to increase documentation of low going concern risk, in the absence of indicators of such risk, seem unnecessary.	No	The standard is already scalable.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
6.	12	Gen	Overall, we believe that the standard should better address the impact on government entities. While this standard has many implications for business-oriented entities, going concern issues will often not be applicable to primary governments. As is noted in GASB Statement 56, paragraph 18, with regards to evaluating an entity as a going concern, “some conditions or situations... should be assessed differently for governments.” We suggest adding the following governmental examples to existing paragraphs or adding an additional explanatory paragraph(s) to address considerations specific to governments.		See Issue #IV in the Issues Paper
7.	14	Gen	<p>We support the issuance of the proposed SAS to promote consistency between the auditing standards and the new US GAAP guidance in Accounting Standards Update (ASU) 2014-15, <i>Presentation of Financial Statements — Going Concern</i>, which will require management to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern. Because the standard is effective in 2016 for calendar-year entities, we support the ASB’s aim of making the proposed SAS effective for audits of financial statements for periods ending on or after 15 December 2017.</p> <p>Because financial statements may be prepared under different financial reporting frameworks, we also support the fact that the proposal is framework neutral. Further, we agree with the use of terminology that is commonly used in the US, such as terminology used by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), and aligning certain aspects of the application guidance with ASU 2014-15.</p>	N	Noted

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8.	14	Gen	Because governmental entities are not considered companies, we recommend using the term “entity” instead of “company” throughout the proposed SAS to make it more framework neutral.	Y	Noted. The term entity is used throughout.
9.	15	Gen	<p>TIC generally supports the ED which includes proposed amendments necessitated by the issuance of FASB Accounting Standards Update (ASU) No. 2014-15, <i>Presentation of Financial Statements— Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern</i>, and the International Auditing and Assurance Standards Board’s revised auditor reporting standards (which included revisions to International Standard on Auditing [ISA] 570 [Revised], <i>Going Concern</i>). TIC agrees with using ISA 570 as a base for the ED, to the extent applicable, and the accounting framework-neutral approach that would allow the standard to be applicable regardless of the financial accounting framework used in preparing the financial statements.</p> <p>TIC also agrees that the most significant changes in this ED relate to the proposed amendments affecting the standards applicable to the audits of special purpose frameworks, single financial statements, specific elements, accounts or items of a financial statement and interim financial information. TIC generally supports the proposed amendments to AU-C section 800 for special purpose frameworks, AU-C section 805 for specified elements, accounts or items of a financial statement, and to AU-C section 930 for interim financial information.</p> <p>In particular, TIC appreciated the example in the application guidance in AU-C sections 800 and 805 which reminds the</p>	N	Noted

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			<p>auditor that the requirement to consider fair presentation includes an evaluation of whether the financial statements properly disclose the entity’s risks and uncertainties. TIC acknowledges the evaluation should be performed without connecting to the conclusion of whether there is substantial doubt about the entity’s ability to continue as a going concern as set out in AU-C section 570.</p> <p>However, TIC has recommended certain revisions to some of the proposed paragraphs to improve the clarity and consistency of the final standards for audits of single financial statements and specific elements, accounts, or items of a financial statement, as well as audits of special purpose frameworks, as discussed below.</p>		
10.	18	Gen	<p>While a framework-neutral approach has been adopted in the proposed SAS, the Explanatory Memorandum highlights that in order to illustrate certain accounting terms in the exposure draft, “terminology that is more commonly used in the United States, such as terminology from the FASB standards and the GASB statement” would be used.</p> <p>However, it was noted that the majority of the examples provided in the application guidance related primarily to the FASB standards. We believe that consideration could be given to providing parallel examples for the GASB statements. Our recommendations to address this imbalance are set forth in the Appendix.</p>	Y	See Issue #IV in the Issues Paper
11.	1	Q1	<p>Particularly the audits of specific elements, accounts, or items of a financial statement do not and are not intended to present information about the entity as a whole, including going concern considerations. However, the audit of single financial</p>		See Issue #I in Issues Paper.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			statements could be used to circumvent the need to apply the requirements of AU-C section 570. I suggest that the ASB consider providing a choice to the auditor: the auditor can apply the requirements of AU-C section 570 to such audits, or the auditor can include an Other Matter paragraph that states the auditor has not performed procedures regarding the consideration of the entity's ability to continue as to going concern and our opinion is not modified with respect to this matter in addition to restricting the use of the auditor's report. I realize that the ASB will want to make sure that the option does not apply to audits other than audits of single financial statements and specific elements, accounts, or items of a financial statement, and I concur.		
12.	2	Q1	<u>We do not believe this standard should be applicable to all audits in such circumstances because the entity's financial information as a whole would not be presented. We believe auditor professional judgment should be used to adapt, as necessary, any procedures to this situation.</u> If so, how would the auditor apply the requirements of AU-C section 570 (that is, would specific procedures need to be performed), including concluding whether substantial doubt exists about an entity's ability to continue as a going concern?	N	See Issue #I in Issues Paper.
13.	4	Q1	We do not believe the standards should be amended to indicate that AU-C 570 is applicable to all audits of single financial statements and specific elements, accounts or items of a financial statements (single financial statements/accounts). The concept of substantial doubt regarding an entity's ability to continue as a going concern is significant to the users of a complete set of financial statements, including notes. However, the purpose of single financial statements/accounts is narrower in focus and is not	N	See Issue #I in Issues Paper. For the reporting related to a reference in the AU-C section 805 financial statements to what is included in the general purpose financial statements will be deliberated through

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			<p>intended to provide the reader with an overall view of an issue as pervasive as the objective of AU-C 570. Therefore, we believe the guidance related to an auditors' consideration of risks and uncertainties should provide users of the single financial statements/accounts with sufficient information regarding significant matters, including those that could impact an entities ability to continue as a going concern.</p> <p>Furthermore, in order to meet the requirements of AU-C 570, an auditor typically needs to audit the complete set of financial statements, including notes, in order to understand and assess whether there is substantial doubt along with management's projections and other aspects of management's mitigation plan. This level of understanding and the extent of procedures necessary would typically not be obtained from audit procedures performed on single financial statements/accounts.</p> <p>When audits of single financial statements/accounts are conducted in conjunction with an audit of the entity's complete set of financial statements including notes, we believe the opinion expressed in accordance with AU-C 805 should include a paragraph referring to the audit of the entity's financial statements which included an emphasis of matter regarding substantial doubt about the entity's ability to continue as a going concern along with other information included in this emphasis of matter paragraph.</p>		the auditor's reporting project.
14.	5	Q1	No. When auditing something that does not present a complete financial presentation of an entity (i.e. its financial position, changes in financial position, and cash flows, when applicable) consideration of going concern should not apply.		See Issue #I in Issues Paper.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			If AU-C 570 were to be applicable to elements, accounts, or items of a financial statement, the additional work to assess the entity's liquidity may have no relevance to the element being presented and would add unnecessary procedures and cost to the engagement. For example, if the engagement was to report on cash held at the end of a month, why should an auditor consider an entity's going concern in rendering an opinion on that cash balance?		
15.	8	Q1	No, the standards should not be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement. These audits are not intended to present information about the entity as a whole. A single financial statement does not provide the whole picture of an entity. It would require much additional effort by the auditor beyond what is currently required to audit that single financial statement to obtain the information necessary to evaluate whether there is substantial doubt about that entity's ability to continue as a going concern. Audits of specific elements, accounts, or items of a financial statement often provide even less information about the entity as a whole than a single financial statement. In a complex reporting environment such as a governmental entity, those charged with governance typically have sufficient influence and ability to determine how resources are allocated. Meaning, if an element or component in a financial statement has indicators that there is substantial doubt that the component/element will be able to continue as a going concern, those charged with governance have the ability to divert other resources to the element/component, to ensure its continuing viability if they		See Issue #I in Issues Paper.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			so choose. Analysis of going concern for anything less than the whole entity would be extremely difficult as those charged with governance re-allocate resources within the entity.		
16.	12	Q1	We do not believe the standard should be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement. If AU-C 570 were to be applicable, the additional work to assess the entity's liquidity may have no relevance to the element being presented and would add unnecessary procedures and cost to the engagement. To ensure there is no confusion regarding the applicability of AU-C section 570 to audits of single financial statements and specific elements, accounts, or items of a financial statement, we recommend the Board also revise AU-C section 805 paragraph A7 by removing its second sentence to make it consistent with the proposed content in the exposure draft.		See Issue #I of Issues Paper, including consideration of paragraph A7 of AU-C section 805.
17.	13	Q1	As noted in the ED, AU-C section 805 states that “AU-C sections 200–700 applies to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of <i>other historical financial information</i> ”, causing confusion regarding whether AU-C section 570 going concern considerations apply. The FASB has not yet addressed a requirement for going concern considerations for historical information that is less than a full set of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-15, <i>The Presentation of Financial Statements - Going Concern</i> , clarified several definitions and added management’s responsibility to address going concern issues in connection with the presentation of full basic financial statements. Until the issue is addressed by the		See Issue #I of Issues Paper.

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No.	Responder	para	Comment	Change?	TF Comment
			<p>FASB, there should be an exemption from the requirements of AU-C section 570 within the scope of applying AU-C section 805 <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>.</p> <p>Once this is addressed by the FASB, the audit guidance in relevant AU-C sections will ultimately have to be adapted to FASB’s revisions.</p>		
18.	14	Q1	<p>We do not believe the proposed SAS should apply to audits of single financial statements or specific elements, accounts or items of a financial statement under AU-C 805, <i>Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>.</p> <p>Under ASU 2014-15, the evaluation of whether there is substantial doubt about an entity’s ability to continue as a going concern can be performed only on a complete set of financial statements (i.e., the evaluation can be made only at an enterprise level).</p> <p>Because the items in AU-C 805 are less than a complete set of financial statements, we believe the proposed SAS would not apply to the audit of a single financial statement or specific element, account or item of a financial statement. Further, we believe the application of the proposed SAS to AU-C 805 would effectively require the evaluation to be made at an enterprise level, which is inconsistent with the premise of AU-C 805.</p>		See Issue #I of Issues Paper.

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			<p>We believe the ASB should make it clear that the proposed SAS does not apply to audits of single financial statements or specific elements, accounts or items of a financial statement under AU-C 805. Due to inconsistent language in today's standards, we believe there is diversity in practice on whether AU-C 570 applies to such audits. Some believe the guidance in paragraph 1 of AU-C 805 would require the application of AU-C 570 whereas others believe the guidance in paragraph 1 and footnote 1 of AU-C 570 would not require the application of AU-C 570. We believe the ASB should resolve this diversity.</p> <p>If the ASB were to require the application of the proposed SAS to audits performed under AU-C 805, we believe the ASB should provide application guidance on how to apply AU-C 570 in such situations because it is not clear to us how one would apply an enterprise-level concept to a single financial statement or specific element, account or item of a financial statement. Doing so would seem to significantly increase the amount of work effort required by the auditor, particularly in situations where the auditor is not the auditor of the consolidated financial statements. We would challenge whether the benefits to the users of the financial statements would justify the costs of these additional efforts.</p>		
19.	15	Q1	<p>No. TIC does not believe that the standards should be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement. TIC believes that the ED, as written, allows the practitioner to apply judgment in the circumstances, which is more appropriate.</p>		<p>See Issue #I of Issues Paper.</p> <p>Since the standards do not require an audit of a complete set of financial statements when completing an audit of specific</p>

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			<p>Accounting frameworks typically require an evaluation of the going concern assumption at the entity level. In certain cases, the practitioner may not obtain enough information when performing an audit of a single statement or specified elements, accounts, or items of a financial statement to be able to make that determination about the entity as whole. The practitioner needs to apply professional judgment when performing these engagements to determine whether the presentation is suitable for the purpose and for the intended users and to consider the adequacy of the disclosures. TIC believes it is not possible to write prescriptive guidance that would address every possible circumstance that the auditor could encounter.</p> <p>It should be noted that the TIC member firms perform more engagements involving single financial statements than specified elements, items, or accounts. When performing engagements involving single financial statements, the auditor is likely to obtain more information about the entity as a whole, including its ability to continue as a going concern. It is unlikely, however, that any of the TIC members would perform an audit of a specified element without also having performed the audit or review of the complete financial statements. TIC members generally would not accept such engagements for risk management reasons due to the fact that they may not have enough information about the entity as a whole to perform standalone audits of specific elements of a financial statement. If TIC's experience is representative, then audits of specific elements as a standalone engagement (i.e., without the practitioner also having audited the complete set of financial statements) may be uncommon.</p>		<p>elements, accounts, or items of a financial statement additional considerations were not given related to that point.</p>

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20.	16	Q1	We believe the standards should <u>not</u> be amended to indicate that AU-C section 570 is applicable to all audits of single financial statements and specific elements, accounts or items of a financial statement. We believe the going concern assessment is performed for the entity as a whole and is not applicable to audits of single financial statements and specific elements and accounts.		See Issue #I of Issues Paper.
21.	17	Q1	We do not support amending the standards to make such an indication. While we believe that AU-C section 570 could be applicable to audits of single financial statements and specific elements, accounts, or items of a financial statement, we believe it is too difficult to prescribe application of AU-C section 570 to all possible audit scenarios. Therefore, we believe it should be left to the auditor's judgment and understanding of the engagement to determine whether AU-C section 570 applies.		See Issue #I of Issues Paper.
22.	18	Q1	D&T believes that AU-C section 570 is applicable to some, but not necessarily all audits conducted in accordance with AU-C section 805, <i>Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i> (AU-C section 805). For example, we believe that an audit of a single financial statement, such as the balance sheet, should be subject to the requirements of the proposed SAS because such single financial statement reflects the financial position of the entity and users of this single financial statement would benefit from knowing how the auditor has concluded on the appropriateness of management's use of the going concern basis of accounting in the preparation of the single financial statement. We also believe that FASB ASC 205-40 would require the entity to make an evaluation of its ability to		See Issue #I of Issues Paper.

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			<p>continue as a going concern in connection with preparation of a single financial statement in accordance with accounting principles generally accepted in the United States of America. We do, however, believe that for audits of specific elements, accounts, or items of a financial statement it is less clear as to whether the auditor should always be required to conclude on the appropriateness of management’s use of the going concern basis of accounting in the preparation of specific elements, accounts, or items of a financial statement. Further, we acknowledge that in many instances the applicable financial reporting framework will also likely be unclear. This does result in challenges for the auditor when determining whether to apply the requirements of the proposed SAS. Given the variety of engagements that may be performed in accordance with AU-C section 805 as it relates to audits of specific elements, accounts, or items of a financial statement, D&T believes that the determination as to whether the proposed SAS is applicable should be left to the auditor’s professional judgment based on the facts and circumstances of each engagement.</p> <p>Paragraph .01 of AU-C section 805 provides further confirmation of these views as it states, “AU-C sections 200-700 apply to an audit of financial statements <i>and are to be adapted as necessary in the circumstances</i> when applied to audits of other historical financial information” (emphasis added). D&T does, however, believe that application guidance as it relates to “and are to be adapted as necessary in the circumstances” and the implications of the proposed SAS on an audit of specific elements, accounts, or items of a financial statement would be appropriate and provide useful clarity to the auditor. We also noted that the application</p>		

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			guidance in paragraph A7 of AU-C section 805 would require revision to reflect this approach.		
23.	20	Q1	<p>As explained in the Explanatory Memorandum to the Exposure Draft, the FASB issued Accounting Standards Update No. 2014-15, <i>Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern</i>, codified as “Pending Content” in FASB <i>Accounting Standards Codification (ASC) 205-40</i> in August 2014. Prior to the issuance of this Pending Content, FASB standards did not address management’s responsibilities for evaluation of substantial doubt about an entity’s ability to continue as a going concern and, as such, the going concern evaluation was not part of U.S. GAAP.</p> <p>When the Pending Content in FASB ASC 205-40 becomes effective, U.S. GAAP will require an entity’s management, in connection with preparing financial statements for each annual and interim reporting period, to evaluate whether there are conditions and events, considered in the aggregate that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). Since the going concern basis of accounting will be applicable for financial statements prepared in accordance with U.S. GAAP, we believe AU-C section 570 should be applicable to a single financial statement. However, we do not believe AU-C section 570 should be applicable to specific elements, accounts, or items of a financial statement, as these are a subset of a financial statement and we do not believe the Pending Content in FASB ASC 205-40 would be applicable.</p>		See Issue #I of Issues Paper.
24.	1	Q2	See above		

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25.	2	Q2	<p>We agree that the requirements of AU-C 800 and 805 are sufficient that the auditor is required to evaluate disclosures related to risks and uncertainties.</p>		See Issue #I of Issues Paper.
26.	4	Q2	<p>As stated above, we do not believe AU-C 570 is applicable to audits of single financial statements and specific elements, accounts, or items of a financial statement. For entities that follow FASB, the requirements for auditor’s to consider ASC 275 <i>Risks and Uncertainties</i> and ASC 450 <i>Contingencies</i> should provide financial statement users with sufficient information regarding significant matters that could impact an entities ability to continue as a going concern. A similar view is noted in the background information and basis for conclusions in ASU 2014-15 <i>Presentation of Financial Statements-Going Concern</i> at BC29. However, these accounting standards do not generally apply to entities that follow GASB, as an example.</p> <p>If the Board’s intent was to be accounting framework neutral, the application guidance in .A23 and .A12 of the proposed amendments to AU-C 800 and AU-C 805, respectively, should be modified as follows (new or moved content underscored; deleted content strike-through):</p> <p>.A23 In evaluating whether the financial statements achieve fair presentation, the auditor is required to evaluate, among other things, whether the financial statements properly disclose the entity’s risks and uncertainties. <u>For example</u>, the auditor may consider FASB Accounting Standards Codification (ASC) 275, Risks and Uncertainties, and FASB ASC 450, Contingencies, when evaluating the appropriateness of disclosures of risks and uncertainties</p>	Y	<p>See Issue #I of Issues Paper.</p> <p>Included edits to suggest other financial reporting requirements might have similar requirements for the auditor to consider.</p>

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			<p>related to financial reporting. <u>Other financial reporting frameworks may have different considerations.</u> A risk or uncertainty may not be applicable to the special purpose financial statements if it is related to a specific account or disclosure that is not part of the special purpose financial statements, for example, certain concentration disclosures.</p> <p>.A12 In evaluating whether the single financial statements and specific elements, accounts, or items of a financial statement achieve fair presentation, the auditor is required to evaluate, among other things, whether the single financial statements and specific elements, accounts, or items of a financial statement properly disclose the entity’s risks and uncertainties. <u>For example,</u> the auditor may consider FASB Accounting Standards Codification (ASC) 275, Risks and Uncertainties, and FASB ASC 450, Contingencies, when evaluating the appropriateness of disclosures of risks and uncertainties related to financial reporting. <u>Other financial reporting frameworks may have different considerations.</u> A risk or uncertainty may not be applicable to the single financial statement or specific elements, accounts, or items of a financial statement if it is related to a specific account or disclosure that is not part of the single financial statement or the specific element, account, or item, for example, certain concentration disclosures.</p> <p>As an additional reference, the proposed amendment to AU-C 930 more appropriately uses “For example, FASB requires” rather than suggesting, even though it is included in application guidance, that FASB disclosures apply.</p>		

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			<p>In addition, if the Board concludes that AU-C section 570 is not applicable to all audits of single financial statements and specific elements, accounts, or items of a financial statement, this section should not be included in the guidance in .A13 of the proposed amendments to AU-C 805.</p>		
27.	5	Q2	<p>Yes, when auditing a single financial statement or specific elements of a financial statement, an auditor should consider risks and uncertainties relevant to the audit assertions (occurrence, completeness, etc.) that apply to the elements being presented. This would allow the auditor to address risks while providing the user of the financial statement sufficient and appropriate information while avoiding unnecessary costs.</p>		See Issue #I of Issues Paper.
28.	8	Q2	<p>Yes, with certain clarifications for governmental entities, this would be sufficient. Pending further guidance from the GASB (if any), disclosures similar to those required by ASC 275 pertaining to risks and uncertainties would provide additional information essential for a fair understanding of single financial statements, specific elements, accounts or items of a financial statement being reported on.</p> <p>However, because ASC 275 is written for entities other than governments and does not fully translate to governmental entities and would be confusing to practitioners, it should not be referenced in the pending AICPA guidance, as applicable to audits of governmental entities. Instead, reference to guidance in GASB Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>, paragraph 106-110 on Disclosure of Loss Contingencies, applied to single financial statements, specific elements, accounts or items of a</p>		<p>See Issue #I of Issues Paper.</p> <p>This comment is captured by changes to the application guidance to consider financial reporting frameworks other than GAAP.</p>

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No.	Responder	para	Comment	Change?	TF Comment
			<p>financial statement being reported should be cited. Additionally, guidance contained in other GASB Statements pertaining to required disclosures similar to those in ASC 275 pertaining to risks and uncertainties should be applied as warranted. Below is a listing of those items for GASB Statements currently applicable (may not be complete):</p> <p>GASB 10 <i>Accounting and Financial Reporting for Risk Financing and Related Insurance Issues</i>, par 27 and par 58, “Disclosure of Loss Contingencies”</p> <p>GASB 38 <i>Certain Financial Statement Note Disclosures</i>, par 9 “Violations of Finance –related Legal or Contractual Provisions”</p> <p>GASB 40 <i>Deposit and Investment Risk Disclosures</i></p> <p>GASB 42 <i>Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries</i>, par 20 “Disclosure of Idle Impaired Capital Assets “</p> <p>GASB 45 <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>, par 25 d. (4) “Disclosure that actuarial calculations reflect a long-term perspective”</p> <p>GASB 48 <i>Sales and Pledges Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues</i>, par 21 “ Disclosures Related to Future Revenues that are Pledged or Sold”</p> <p>GASB 49 <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>, Par 26 relating to unrecognized pollution remediation liabilities.</p> <p>GASB 53 <i>Accounting and Financial Reporting for Derivative Instruments</i>, various paragraphs relating to disclosures of risks</p> <p>GASB 60 <i>Accounting and Financial Reporting for Service Concession Arrangements</i>, Par 17 on guarantees and</p>		

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			<p>commitments</p> <p><i>GASB 68 Accounting and Financial Reporting for Pension</i>, there are numerous required disclosures pertaining to actuarial assumptions, plan provisions, funding and benefits.</p> <p><i>GASB 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees</i>, Par 14 – 17 have various disclosures about these arrangements</p> <p><i>GASB 72 Fair Value Measurement and Application</i>, various disclosures pertaining to measurement of fair value, unfunded commitments, redemption features and similar disclosures.</p>		
29.	11	Q2	<p>We agree that in connection with the audits of single financial statements and specific elements, accounts, or items of a financial statement, the auditors' evaluation of fair presentation includes a review of the entity's disclosures regarding its risks and uncertainties. However, we believe it will be challenging to provide users information regarding an entity's ability to continue as a going concern when only specific elements, accounts, items or single financial statements are being audited, because the auditor may not identify such matters by performing its audit procedures. For example, to evaluate an entity's ability to continue as a going concern the auditor considers evidence related to the entity as a whole, considering, but not limited to, conditional and unconditional obligations, liquidity resources, available assets and ability to generate cash flows. Audits performed for single financial statements, specific elements, accounts, or items of a financial statement typically do not consider evidence related to the entity as a whole based upon what is in scope for the audit. Therefore, we believe it would be significant effort as auditors will have to significantly expand the scope in performing their procedures</p>		See Issue #I of Issues Paper.

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			<p>in order to evaluate the entity’s ability to continue as a going concern and is not the objective of these audits. We additionally have considered, with inclusion of the aforementioned audits, there may become a wider expectation gap of users of the financial statements if we were required to opine on an entity’s ability to continue as a going concern, directly related to an incomplete presentation of the financial information.</p> <p>We, therefore, recommend that audits of single financial statements and specific elements, accounts, or items of a financial statement not be considered for inclusion under the Proposed SAS. Rather, we support the use of evaluating disclosures related to risk and uncertainties to achieve fair presentation</p>		
30.	12	Q2	We believe the application guidance related to risks and uncertainties is sufficient in considering whether appropriate disclosures have been made.	N	Noted.
31.	13	Q2	<p>The requirement to consider fair presentation includes an evaluation of whether disclosures related to risk and uncertainties are needed to achieve fair presentation. This evaluation should be performed without connecting to the conclusion of whether there is substantial doubt about the entity’s ability to continue as a going concern as set out in AU-C section 570.</p> <p style="text-align: center;">Reference is made to FASB Accounting Standards Codification Topic 275, <i>Risks and Uncertainties</i>. –ASC subtopic 275-10 focuses on the selection of disclosure requirements. Required disclosures are limited to matters significant to a particular entity. The disclosures focus</p>	N	Noted. The risk and uncertainty is not in connection with going concern evaluation and the amendments to AU-C 805 already expand this concept to single financial statements and specific elements, accounts, or items of a financial statement.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			<p>primarily on risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term or the near-term functioning of the reporting entity. The risks and uncertainties typically address the following:</p> <ul style="list-style-type: none"> a. The nature of the entity's operations b. The use of estimates in the preparation of the entity's financial statements c. Significant concentrations in certain aspects of the entity's operations. <p>AS-C subtopic 275-10 states that it does not prohibit disclosure of matters not required to be disclosed either because they do not meet the specified screening criteria or because they relate to risks and uncertainties that are outside the scope of this Subtopic. Therefore we are in agreement that the guidance related to risks and uncertainties is sufficient in considering whether appropriate disclosures have been made.</p> <p>The ASB might consider expanding required disclosures for risks and uncertainties, such as whether the entity's management should be responsible for evaluating these disclosures when presenting a single financial statements and specific elements, accounts, or items of a financial statement.</p>		
32.	14	Q2	<p>We agree with the proposed application guidance in paragraph 12 of AU-C 805. We believe that when evaluating whether the single financial statement or specific element, account or item of a financial statement achieves fair presentation, the auditor should determine whether risks and uncertainties are properly disclosed.</p>		See Issue #I of Issues Paper.

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			<p>We also believe such guidance is equally applicable to the audit of financial statements prepared in accordance with a special purpose framework and therefore agree with the inclusion of a similar paragraph in AU-C 800.</p>		
33.	15	Q2	<p>Yes. TIC believes the application guidance related to risks and uncertainties is sufficient in considering whether appropriate disclosures have been made.</p> <p>However, TIC disagrees that AU-C section 570 should continue to remain silent with respect to the relevance of the standard to audits of single financial statements and specific elements. TIC recommends the following revised wording to paragraph .A2 of AU-C section 570 in order to better tie in the relationship between the going concern assumption and AU-C section 800 and AU-C section 805:</p> <p><i>AU-C section 800, Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks, and AU-C section 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, address the applicability of this SAS as well as the auditor’s consideration of disclosures related to risks and uncertainties.</i></p> <p>TIC noted that AU-C section 805 already includes specific guidance regarding AU-C section 570 whereas AU-C section 800 infers the applicability of AU-C section 570 without referencing going concern or AU-C section 570 explicitly. Therefore, if the Board decides to mention that AU-C section 800 addresses the applicability of AU-C section 570, then it is</p>		See Issue #I of Issues Paper.

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			equally appropriate to state that AU-C section 805 addresses the applicability of AU-C section 570.		
34.	16	Q2	We believe the application guidance related to risks and uncertainties is sufficient in considering whether appropriate disclosures have been made. The Board may wish to consider elaborating on “appropriate disclosures” or otherwise referencing the FASB’s ASC applicable guidance.		See Issue #I of Issues Paper. The application guidance does reference the applicable FASB standards.
35.	17	Q2	We believe the proposed application guidance related to risks and uncertainties is sufficient to prompt the auditor to consider whether appropriate disclosures have been made in the context of the particular engagement. Therefore, we support the adoption of the proposed application guidance in AU-C section 805, <i>Special Considerations – Audits of Single Financial Statements and Specific Elements Accounts, or Items of a Financial Statement</i> . However, we note similar application guidance is also proposed in AU-C section 800, <i>Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i> ; please refer to the accompanying appendix for our specific comments on the proposed application guidance in AU-C section 800.		See Issue #I of Issues Paper.
36.	18	Q2	Even though we believe that AU-C section 570 might not always be applicable to all audits conducted in accordance with AU-C section 805, we do not believe that highlighting, and focusing, the auditor’s attention on disclosures related to risks and uncertainties, albeit in application guidance, is an appropriate mechanism to address the issue of fair presentation in AU-C section 800, <i>Special Considerations – Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i> (AU-C section 800), and AU-C section 805.		See Issue #I of Issues Paper.

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			<p>Paragraph .01 of AU-C section 800 and AU-C section 805 both indicate that “AU-C sections 200-700” apply to these engagements. Therefore, paragraph 14 of AU-C section 200, <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards</i> (AU-C section 200), that includes a definition of a Financial Reporting Framework and the term “fair presentation,” would also be applicable. The definition “acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework.”</p> <p>Further, paragraph 12 of AU-C section 200 notes that the objective of an auditor, in conducting an audit of the financial statements, is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the <u>financial statements are presented fairly</u>, in all material respects, in accordance with an applicable <u>financial reporting framework</u>.</p> <p>Therefore, we believe this concept of evaluating the achievement of fair presentation is a fundamental underlying concept in the professional literature and does not need to be specifically highlighted. Consequently, we believe that the proposed amendments related to evaluating risks and uncertainties disclosures in order to achieve fair presentation should be deleted from AU-C section 800 and AU-C section 805.</p>		

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			Accordingly, we are not supportive of adding paragraphs A21-A23 to AU-C section 800 or paragraph A12 to AU-C section 805. We also believe that paragraph A2 of the proposed SAS should also be removed.		
37.	17	1	We recommend the following revision to better clarify the scope of the Proposed SAS: This Statement on Auditing Standards (SAS) addresses the auditor’s responsibilities in the audit of financial statements relating to <i>the entity’s ability to continue as a</i> going concern and the implications for the auditor’s report.	Y	Edited.
38.	19	1	<p>I am submitting these comments in my position as a technical advisor for the Administration for Families and Children (ACF), an operating division with the U.S. Department of Health and Human Services. ACF administers more than 60 programs with a budget of more than \$53 billion annually. Partnering with States and communities, ACF funding provides critical assistance to vulnerable populations and helps families achieve prosperity and independence.</p> <p>The auditing profession must always be mindful that CPAs are serving the public interest. Under the current standard, the auditor’s responsibility to evaluate whether there is a substantial doubt about the entity's ability to continue as a going concern applies to audits of financial statements prepared under both general purpose and special purpose frameworks. If the auditor finds that there is a substantial doubt about the entity’s ability to continue as a going concern, the auditor is required to include an emphasis-of-matter paragraph or issue a modified opinion depending on the circumstances. The proposed revised standard indicates that the going concern basis of accounting is not applicable to</p>		See Issue #II in the Issues Paper.

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			<p>financial statements prepared on a cash basis which includes modified cash basis. However, the issue of whether there is a substantial doubt about the entity's ability to continue as a going concern is just as important to external users of an entity's cash basis financial statements as it is to external users of GAAP-based statements. A not insignificant portion of the financial statements audited under ASB standards are of governmental entities and not-for profit entities that prepare their financial statements using the cash basis or modified cash basis. In many cases, these financial statements are intended for general use. Making AU-C Section 570 inapplicable to audits of financial statements prepared using the cash basis (and other special purpose frameworks) means that users of these audit reports will no longer be alerted by the auditor's report when there is a substantial doubt of an entity's ability to continue as a going concern as they currently are under the current standard. This is a disservice to users of these financial statements and is contrary to the audit profession's responsibility to serve the public interest.</p> <p>The Single Audit (SA) process is one of the key ways Federal agencies ensure proper accountability and compliance for Federal awards provided to non-Federal entities (NFE) (i.e., states, local governments, Indian tribes, institutions of higher education (IHE), and nonprofit organizations). Under the SA a NFE must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited (2 CFR 200.510(a)). A NFE is permitted to report under either generally accepted accounting principles (GAAP) or the AU-C Section 800 special purpose framework</p>		

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			<p>(OCBOA). Many NFE that report under OCBOA use a modified cash basis of accounting and the financial statements look very much like GAAP statements. Often this non-GAAP basis is required by state law. Allowing the NFE to report under either GAAP & OCBOA can relieve audit burden, particularly for a smaller NFE.</p> <p>Under the SA the auditor uses a risk-based approach to identify major programs, i.e., Federal programs which are tested for compliance at the opinion level for each major program. The number of major programs required to be tested depends upon risk. A NFE that meets the criteria to qualify as a low-risk auditee is eligible for reduced audit coverage, i.e., auditor may not be required to test as many programs as major (2 CFR 518(e) and (f)). A NFE does not qualify as a low-risk auditee if the auditor reports a substantial doubt about the auditee’s ability to continue as a going concern in either of the preceding two audit periods (2 CFR 200.520). The auditor must report on the data collection form (Part III.2.b) yes or no as to whether a “going concern” emphasis-of-matter paragraph was included in the auditor’s report and Federal agencies use this information as a risk factor in both audit follow-up and overall monitoring of Federal awards. The applicability of the going concern emphasis paragraph is important to Federal agencies. Following are some specific reasons:</p> <p>Whether a NFE qualifies as a low-risk auditee affects the number of Federal programs which must be audited as major programs. Under the risk based approach to determining major programs, a low-risk auditee is only required to meet a percentage of coverage of 20% while an entity which does not</p>		

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			<p>qualify as low-risk must meet a coverage of 40% (2 CFR 200.518(f)).</p> <p>Federal awards are normally provided to a NFE on a continuum for the entity to administer the Federal programs for multiple years. The going-concern paragraph alerts Federal agencies to a potential risk that a NFE is under stress and at risk of no longer continuing to operate. Such risk puts Federal programs at risk both monetarily (e.g., if funds are spent for unallowable activities and the entity goes out of business there is no chance for recovery); as well as programmatically (e.g., if a Head Start agency goes out of business a provider may not be available to give children the services they need).</p> <p>Head Start has in its regulations that a going concern risk is a reason a Head Start agency must re-compete for funding under Designation Renewal (45 CFR 1304.11.g).</p> <p>If a NFE knows they are at risk of a going concern paragraph, and the standard is changed to make the going concern standard not apply to cash basis statements, then this could encourage a NFE entity to change from GAAP to cash basis statements to avoid the consequences related to Federal awards as described above of the going concern paragraph.</p> <p>We understand under AU-C 570.01 the auditor is currently required to apply the going concern standards for OCBOA statements and we believe such statements issued under the SA process provide sufficient basis for the auditor to do so. We believe the change proposed in paragraph 3 of the ED to specifically exclude the applicability of cash basis statements from the going concern requirements is a change that will harm the ability of the Federal agencies to rely upon the SA</p>		

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			<p>process. This could make Federal agencies need to impose additional requirement on non-Federal entities and their auditors to compensate.</p> <p>We also believe removing cash basis statements from the going concern audit standard will be misleading to users because it will not be clear in the auditor's standard report that going concern audit standards do not apply rather than the auditor did not see a going concern risk. For example, for cash basis statements the normal report user, who is not a CPA skilled in the nuances of the proposed difference between GAAP and OCBOA statements, may logically think that an audit of cash basis statements with no going concern emphasis means there is no going concern issue when it only means the auditor was not required to apply the going concern standard. Additionally, it is not clear whether the ED applies to OCBOA other than cash basis, e.g., regulatory basis.</p> <p>A review of the posted comment letters did not show input from the Federal or private user community. We ask that prior to adopting the Board reach out to the user community, including Federal agencies, with specific questions concerning the change of applicability of the going concern standard to OCBOA statements and Federal agency reliance upon the SA.</p> <p>While we understand the proposed change to exclude OCBOA statements is based upon a FASB change related to presentation of financial statements--going concern, we do not believe that is sufficient reason at this time to exclude the OCBOA statements from the going concern audit standard and ask the Auditing Standard Board to carefully consider the</p>		

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			effect such change may have on the Single Audit Process and private donors to non-profit organizations.		
39.	3	3	Paragraph 3 of the proposed standard states that special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is applicable, but does not provide further characteristics for the auditor to evaluate how to determine this applicability. Although there are two examples provided, we believe the requirement may result in diversity in practice and suggest the standard be revised to further clarify the applicability of AU-C 570 for all frameworks explicitly included in AU-C 800 by addressing whether it applies to audits of financial statements prepared in accordance with the cash, income tax, regulatory and contractual bases of accounting.		See Issue #II in the Issues Paper.
40.	3	3	We recommend the first sentence of paragraph 3 be revised to read as follows (proposed additions are shown in bold font; proposed deletions are struck through): A complete set of general General purpose financial statements is are prepared using the going concern basis of accounting, unless the liquidation basis of accounting is appropriate.	N	ASB made it clear that this was applicable to a complete set of financial statements to distinguish from single financial statements and the applicability of AU-C 805.
41.	6	3	Paragraph 3 - We are unclear as to why the proposed standard indicates that the going concern assumption is not applicable to financial statements prepared on the cash basis of accounting.		See Issue #II in the Issues Paper.
42.	15	3	TIC supports the proposed amendments in paragraphs .A21-.A23 of AU-C section 800 (pages 34-35 of the ED). (However, see the suggested editorial corrections in the following section relating to the renumbering of these paragraphs.) Proposed paragraphs .A21-.A22 state that AU-C		See Issue #II in the Issues Paper. Staff will coordinate within AICPA any amendments

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			<p>section 570 applies when the going concern basis of accounting is applicable. In particular, TIC agrees that the provisions of AU-C section 570 would apply to financial statements prepared under special purpose frameworks used in the United States.</p> <p>However, TIC noted that proposed paragraph 3 of AU-C section 570, reproduced below, is inconsistent with current guidelines in the United States for the preparation of cash- and tax-basis financial statements:</p> <p>A complete set of general purpose financial statements is prepared using the going concern basis of accounting, unless the liquidation basis of accounting is appropriate. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is applicable (for example, the going concern basis of accounting is not applicable for financial statements prepared on the cash basis of accounting, but is applicable to financial statements prepared in accordance with the AICPA’s Financial Reporting Framework for Small- and Medium-Sized Entities). [Emphasis added]</p> <p>Although TIC recognizes that the “Accounting and Financial Reporting Guidelines for Cash- and Tax-Basis Financial Statements” practice aid (the practice aid) is non-authoritative, TIC believes the bolded text above contradicts what is written in the practice aid related to going concern considerations and disclosures for cash- and tax-basis financial statements. Therefore, TIC recommends removing the text in the parenthetical example above to eliminate</p>		<p>necessary to the Practice Aid and the FRF framework.</p>

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			<p>confusion, which could result from inconsistencies in language between the practice aid and the standard.</p> <p>Furthermore, TIC recommends that the guidance in the practice aid be updated to state that the reasonable period of time is generally one year from the date the financial statements are issued or available to be issued, to be consistent with other guidance issued through the AICPA and the FASB. The practice aid currently states that, “If the preparer concludes that there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time (generally one year from the date of the balance sheet equivalent), the preparer should disclose the going concern considerations in a note to the financial statements.”</p> <p>TIC recommends a similar reexamination of the “Financial Reporting Framework for Small- and Medium-Sized Entities” (FRF for SMEs) to consider whether the framework should be amended to conform to the requirements of ASU 2014-15. For example, the ASU uses “one year from the date the financial statements are issued or available to be issued” as a reasonable period of time for purposes of the going concern assessment. As noted in the two paragraphs below, the FRF for SMEs makes clear that the going concern basis of accounting applies as long as the entity expects to continue in operation but specifies a different time period for the going concern assessment. Paragraph 1.46 states</p> <p>Financial statements are prepared on the assumption that the entity is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize</p>		

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			<p>assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate when the entity is not expected to continue in operation for the foreseeable future. The FRF for SMEs accounting framework should be used only by an entity that is a going concern (see chapter 2, “General Principles of Financial Statement Presentation and Accounting Policies”).</p> <p>In addition, paragraph 2.08 of the FRF for SMEs currently states: When making its assessment about whether the going concern basis is appropriate, management should take into account all known and available information about the future, which is limited to 12 months from the statement of financial position date. When management becomes aware of material uncertainties relating to events or conditions and concludes that a known event or condition is probable of having a severe impact on the entity’s ability to realize its assets and discharge its liabilities in the ordinary course of business, the entity should disclose those uncertainties along with its plans for dealing with the adverse effects of the conditions and events.</p>		
43.	18	3	<p>When considering the question of whether or not the going concern basis of accounting is applicable to the entity, the auditor should always look first to the requirements of the applicable financial reporting framework. Absent explicit requirements, irrespective of whether the financial statements are prepared in accordance with a general purpose framework or a special purpose framework, the concept of an <i>entity</i> being able to continue its operations is applicable and relevant to users of the financial statements. The requirements of the</p>		See Issue #II in the Issues Paper.

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			<p>proposed SAS should therefore always be applied to audits of special purpose financial statements (i.e., AU-C section 800), regardless of whether the applicable financial reporting framework has explicit requirements or not.</p> <p>Given our understanding of what constitutes an <i>entity</i>, D&T believes that, as currently drafted, the portion of paragraph 3 of the proposed SAS, which states, in part, that “[s]pecial purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is applicable” is inconsistent with paragraph 2 of the proposed SAS, which states that “[u]nder the going concern basis of accounting, the financial statements are prepared on the assumption that the <i>entity</i> is a going concern and will continue its operations for a reasonable period of time” (emphasis added).</p> <p>See our recommendation with respect to proposed changes to paragraph 3 of the proposed SAS under the Specific Comments section below to reflect this view. Further, we believe that the guidance in paragraph .01 of AU-C section 800, which states that “AU-C sections 200-700 apply to an audit of financial statements,” is clear that the proposed SAS would apply to special purpose frameworks, and consequently no further clarification is necessary in the proposed SAS.</p>		
44.	18	3	<p>Given that we believe the going concern basis of accounting is applicable to an entity irrespective of whether the financial statements are prepared in accordance with a general purpose or a special purpose framework, as expressed in the Other General Comments section above, we recommend that the wording in paragraph 3 be amended to reflect the appropriate</p>		<p>See Issue #II in the Issues Paper.</p> <p>As it relates to liquidation basis of accounting no change was made as the</p>

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			<p>position as previously adopted in paragraph 1 of <u>extant</u> AU-C section 570.</p> <p>In addition, the proposed SAS references the “liquidation basis of accounting,” which is not a basis of accounting contemplated by GASB. Appendix B, “Basis for Conclusions for GASB Statement No. 56,” noted that the “potential question of whether liquidation basis of accounting (or some other measurement) should be used for a governmental entity when its ability to continue as a going concern is remote should not be addressed in this Statement.” We recommend that paragraph 3 be amended to reflect this conclusion, given that the proposed SAS was drafted in a framework-neutral manner.</p> <p>D&T also believes that the application guidance in paragraph A1 is more appropriately “linked” to paragraph 3 and that the cross-referencing should be amended accordingly. Consequently, paragraph 3 in the proposed SAS should be deleted and replaced with the following revised paragraph.</p> <p><u>3. This [proposed] SAS applies to all audits of financial statements, regardless of whether the financial statements are prepared in accordance with a general purpose or a special purpose framework. The [proposed] SAS does not apply to a complete set of general purpose financial statements prepared using the liquidation basis of accounting, if permitted by the applicable financial reporting framework^[X]. (Ref:</u></p>		<p>requirement states if the liquidation basis of accounting is “appropriate.”</p>

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			<u>par. A1-A3)</u> <u>Footnote x: Paragraph 37 of GASB Statement No. 56.</u>		
45.	6	4	The last sentence of this paragraph states: “Law or regulation may also set forth requirements regarding management’s responsibility to evaluate the entity’s ability to continue as a going concern for a defined period of time and related financial statement disclosures.” We suggest including some examples of law or regulations which may create additional requirements regarding management’s responsibility to evaluate the entity’s ability to continue as a going concern.	N	Noted. There are other situations in the auditing literature that mention laws and regulations and typically examples are not provided.
46.	17	4	The use of the word “or” in the second line relative to financial reporting frameworks explicitly requiring management to evaluate or provide disclosures characterizes this as an either/or situation. We are unsure whether this was the intent. We recommend the Board reconsider the corresponding International Standards on Auditing language and consider the intent of that language from which this proposed language was adopted.	Y	Edited.
47.	6	6	As discussed in AU-C Section 800, Paragraph A20 this would require an auditor to consider the adequacy of disclosures in financial statements prepared using a comprehensive basis of accounting. Therefore, we believe that an auditor should consider the adequacy of disclosures to address the issue of substantial doubt about the entity’s ability to continue as a going concern when an auditor is reporting on annual or interim financial statements, single financial statements, and specific elements, accounts or items of a financial statement. However, we do believe additional guidance and examples should be provided regarding when the going concern		See Issue #I and #II in the Issues Paper.

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			assumption may be applicable in a report on a specific element, account or items of a financial statement.		
48.	7	6	The committee generally supports the proposed standard and finds it to be consistent with both the Financial Accounting Standards Board's going concern standard and the existing going concern audit literature. However, the committee believes that the requirement in paragraph 6 that management must evaluate an entity's ability to continue as a going concern, even if the financial reporting framework does not include an explicit requirement to do so, is accounting guidance and should not be included in the audit literature. It is unclear to the committee why management should look to the audit standards to determine if there is a need to assess an entity's ability to continue as a going concern. The committee believes that the going concern basis of accounting is a fundamental principle in the preparation of financial statements, and that management's responsibility to select an appropriate financial reporting framework inherently includes a requirement to assess the reasonableness of the going concern assumption.	Y	Instead of saying management required to evaluate the entity's ability to continue as a going concern a change was made to say "Nevertheless, when the going concern basis of accounting is fundamental principle in the preparation of the financial statements as discussed in paragraph 2, the entity's ability to continue as a going concern for a reasonable period of time is an important consideration in the preparation of the financial statements.
49.	17	6	We recommend the following revision to this paragraph: Other financial reporting frameworks may have no not have an explicit requirement...	Y	Edited.
50.	11	10	In paragraph 10b of the objectives the Proposed SAS states, "To conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time." The objective could be read that the auditor's conclusion is based only upon the identified conditions or events with no	Y	Edited.

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			<p>consideration of management’s plans to alleviate the substantial doubt considerations. We acknowledge an evaluation of substantial doubt is considered before managements’ plans; however, the final conclusion related to substantial doubt also considers management’s plans and whether it effectively is implemented and alleviates the identified conditions and events that raise substantial doubt. As a result, we recommend removing conditions or events from the objective to discuss the conclusion more broadly. We propose the following edits to paragraph 10b. New language is in <i>boldface italics</i>; deleted text is in striketrough.</p> <p>10b. To conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time <i>exists</i>.</p> <p>If accepted a similar edit should be made in paragraph 7b in explaining the responsibilities of the auditor.</p>		
51.	16	10	<p>We suggest the following (in italics) be added: To evaluate <i>the basis of accounting</i> and the possible financial statement effects, including the adequacy of disclosure regarding the entity’s ability to continue as a going concern for a reasonable period of time.</p>	N	The basis of accounting is addressed in 10a.
52.	12	11	<p>We suggest the addition of a definition of <i>reasonably knowable</i> referred to in paragraphs 5, A7 and A10. In addition, to be consistent with the suggested language, we recommend paragraph 19.b be modified to refer to matters known or reasonably knowable by management, rather than matters of which management is aware.</p>	Y	Definition of reasonably knowable was not included since this is a FASB concept. However, similar language from BC26 of ASC 2014-15 was included

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					<p>in paragraph 5(c), which is the use of reasonably knowable is to emphasize that an entity make a reasonable effort to identify conditions and events that it may not readily know, but would be able to identify without undue cost and effort.</p> <p>No change to paragraph 19b as the representation is broader than just conditions and events and reasonably knowable only goes to conditions and events.</p>
53.	12	11	We suggest additional description and context be provided for a definition of the <i>going concern basis of accounting</i> , referenced throughout the proposed statement and briefly mentioned in paragraphs 2 and 3. The Board has not clearly defined or explained this phrase within the statement in a manner that would create a universal understanding across all reporting frameworks. For example, we believe there is confusion because this term might be construed as an alternative to accrual, cash, or other bases of accounting established in existing reporting frameworks.	N	Noted. See above as this is more of an accounting concept.
54.	12	11	The definition of reasonable period of time includes language that prescribes <i>a reasonable period of time</i> for financial reporting frameworks without existing going concern time requirements, stipulating that time requirement to be one year	N	The definition is intended to be linked to the financial reporting framework, that is, the auditor is required to

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			from the date financial statements are essentially issued. We disagree with extending a reasonable period of time to when the financial statements are issued or available to be issued because it could put an extra burden on the auditor performing audits of any framework that does not prescribe a going concern time requirement, such as in some governmental special purpose framework financial statements. Further, it does not appear that ISA addresses this circumstance, and SAS 126 provided for a timeframe of one year from the date of the financial statements rather than this additional burden of one year from the date of issuance. We recommend that the Board revise the definition to limit the period of time to the date of the financial statements.		look to the accounting framework. Paragraph A6 was included to illustrate various accounting frameworks. Also, the ASB deliberated that if there is not a time period in the applicable financial reporting framework the time period should be similar to what the FASB concluded which is twelve months from issuance date or available to be issued.
55.	3	12	<p>When performing risk assessment procedures as required by AU-C 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, we believe the auditor should consider whether there are conditions or events, considered in the aggregate that may raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time. Accordingly, we recommend inserting the word “may” before the word “raise” each time it occurs in:</p> <ul style="list-style-type: none"> • Paragraphs 12, 12.a. and 12.b. and the heading immediately preceding paragraph 12 • The heading immediately preceding paragraph A7 • Paragraph A15 <p>We also believe the auditor should inquire of management regarding its knowledge of conditions or events beyond the period of management’s evaluation that may raise substantial</p>	N	ASB deliberated and since may is not used by the FASB, including initial considerations of conditions and events it was determine to be consistent with the FASB.

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			doubt about the entity’s ability to continue as a going concern, and therefore recommend inserting the word “may” before the word “raise” in paragraph 17.		
56.	10	12	Paragraph 12 may be fulfilled through current documentation of the control environment, but in an environment where the risk of not continuing as a going concern is low, the requirements outlined in the paragraph may cause auditors to see a deficiency if management cannot document that it considers its viability on a regular basis. Although this is an extension of management’s risk assessment outlined in the COSO framework, the specific focus on a condition with generally low risk does not serve the entity or the auditor effectively.	N	Application guidance to paragraph 12 does not raise the possibility of a control deficiency as this is part of risk assessment. Control deficiency concept is discussed as part of the application guidance (A17) to paragraph 14, which is not part of the risk assessment.
57.	17	12	<p>We recommend the following revisions to this paragraph:</p> <p style="padding-left: 40px;">...In doing so, the auditor should determine whether management has already performed a preliminary evaluation of whether there are to identify such conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time:</p> <p style="padding-left: 40px;">a. ...</p> <p>If such an evaluation has not yet been performed, the auditor should discuss with management the basis their support for the intended use...</p>	Y	<p>Edits made except for the edit in the last paragraph. Based on the comment above to say “their support” might be interpreted that management is required to do something during the risk assessment phase.</p> <p>Also, did not include identify since language is not used in the FASB standard.</p>
58.	10	14	Paragraph 14 states that the auditor should evaluate management’s evaluation of whether there are conditions or events considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern. Since	N	GASB does require entities to make an evaluation and application guidance

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			governmental entities, for the most part, assume the risk of not continuing as a going concern is low, the proposed changes would result in considerable cost to the entity to document their consideration of an event which they consider remote so auditors can review it to meet the requirements of this standard.		discusses the evaluation is scalable. In response to other comments paragraph A8a was added and this discusses certain factors for governmental entities may diminish the possibility will be unable to continue as a going concern.
59.	17	14	We note that proposed paragraphs 14, 15, and 16 contain one sentence each. We recommend the Board consider combining these requirements into one paragraph. Following is some potential suggested wording. The auditor's evaluation should: <ul style="list-style-type: none"> a. assess management's evaluation of whether there are conditions or events considered in the aggregate that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time; b. cover the same period as that used by management in its evaluation as required by the applicable financial reporting framework; and c. consider whether management's evaluation includes all relevant information of which the auditor is aware as a result of the audit. 	Y	Edited. Combined requirements as suggested.
60.	1	17	Paragraph 17 states "The auditor should inquire of management . . . regarding the period subsequent to management's evaluation". Under FASB, management is required to evaluate conditions and events through report	Y	See Issue #V in the Issues Paper.

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			issuance date, or the date the financial statements were available to be issued. What specifically would this time period (discussed in the proposed SAS) refer to? My concern is that this language can easily be interpreted to be a time period beyond report issuance date, or the date the financial statements were available to be issued. This language may have been included because of GASB considerations. If this is the case, expanding discussion in A22 to describe what the period subsequent to management's evaluation, if management's evaluation is through report issuance date or the date the financial statements were available to be issued, would encompass.		
61.	3	17	In addition to referencing paragraphs A22 and A23, we believe paragraph 17 also should reference paragraph A20. Likewise, the heading immediately preceding paragraph A20 should be revised to reference paragraphs 14 through 17.	Y	Edited.
62.	6	17	The intent of this paragraph is not clear. Paragraph 17 should be more specific about what the period beyond management evaluation is meant to be. One year from the date the financial statements are issued, or from when they are available to be issued, or something else?		See Issue #V in the Issues Paper.
63.	14	17	Paragraph 17 of the proposed SAS would require an auditor to inquire of management regarding its knowledge of conditions or events "beyond the period of management's evaluation" that raise substantial doubt about the entity's ability to continue as a going concern. In addition, paragraph A22 states that the indications of going concern issues need to be "significant" before the auditor considers taking further action (i.e., performing the procedures in paragraph 18 that would otherwise be performed had these conditions or events occurred within management's evaluation period).		See Issue #V in the Issues Paper.

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			<p>We believe that any final SAS should clearly state that the period in which the auditor evaluates events or conditions that raise substantial doubt about an entity’s ability to continue as a going concern is limited to the period used by management, as required by the applicable financial reporting framework. We do not believe it is appropriate for the auditor to extend the evaluation period beyond the period that management is required to follow.</p> <p>Further, we believe that the proposal would create operational issues. For example, if the auditor identifies an event or condition after the period of management’s evaluation and requests that management evaluate whether the event or condition raises substantial doubt about the entity’s ability to continue as a going concern, we think it is unlikely that management would agree to extend its evaluation beyond the period required by its financial reporting framework. As a result, this proposed SAS would seem to suggest that it is possible for the auditor to reach a conclusion about the entity’s ability to continue as a going concern that differs from management’s conclusion based on the applicable financial reporting framework.</p> <p>However, because paragraph 21 of the proposed SAS would require the auditor to conclude whether there is “substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time,” and paragraph 11 would define a reasonable period of time as the period required by the applicable financial reporting framework, the proposed SAS would appear to limit the auditor’s evaluation period to the period required by the applicable financial reporting</p>		

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			<p>framework. If the auditor were permitted to reach a conclusion that differs from management’s conclusion and the auditor were to include an emphasis-of-matter paragraph in its audit report, that paragraph would likely conflict with the disclosures in the entity’s financial statements. We believe such an outcome is problematic.</p> <p>Further, if the ASB decides to finalize the proposed guidance to require the auditor to make inquiries beyond management’s evaluation period, it is unclear what period of time beyond the period evaluated by management would be considered appropriate. Therefore, if this proposed requirement is ultimately finalized, we recommend that the ASB clarify what period of time would be considered appropriate and what is meant by a “significant” indication of going concern.</p>		
64.	17	18	<p>We note that the Proposed SAS retains the requirement for the auditor to reach a conclusion with respect to the entity’s ability to continue as a going concern. Based on the FASB’s requirements, an auditor could agree with management’s assessment and reasonably conclude that there is no substantial doubt about an entity’s ability to continue as a going concern—that is, the entity has sufficient revenue and cash flows from operations to pay their obligations as they come due.</p> <p>However, paragraph 18b of the Proposed SAS carries forward the notion that the auditor should also evaluate and essentially predict the willingness and intent of management to carry out actions that would alleviate doubt relative to the entity’s ability to continue as a going concern.</p>	N	<p>Paragraph 18b brings in the notion of probable for management’s plans, which is consistent with the FASB standard. As probable appears to be a higher threshold than intent and willingness no change was made.</p> <p>The discussion of obtaining support letters was elevated to a requirement. See Issue VI related to support letters.</p>

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			<p>We believe the notion of “ability,” since it often hinges on strategic, contractual, or plausible plans of management, allows the auditor to obtain more objective evidence to support the conclusion with respect to overcoming substantial doubt. However, evaluating “willingness” is an issue that we believe puts the auditor in a difficult position. We understand that the auditor will often rely on management representations and in certain circumstances letters that indicate a commitment to fund (as necessary) from owners or investors. In the latter case, the substance of such commitments are typically not binding and in some circumstances may be circumvented.</p> <p>Notwithstanding those challenges, we do believe more prescriptive requirements with respect to management and third party representations would be meaningful. As such, we recommend that the notion of management’s intent and willingness to carry out the plans set forth to the auditor be added to the written representations requirements in paragraph 19 to further support the auditor’s evaluation of management’s “willingness” as discussed above. We also recommend that the application guidance in paragraph A27 of the Proposed SAS with respect to this issue be elevated to require the auditor to obtain such support letters where such support is deemed necessary. The application guidance could then address situations where the support letter is not obtained. Finally, we suggest that the Board consider adding a requirement to paragraph 29 to discuss the auditor’s evaluation and support for management’s willingness to take such actions with those charged with governance.</p> <p>Overall, we acknowledge and support the requirements in the extant standard with respect to an auditor concluding on</p>		

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			whether substantial doubt exists. We believe a separate auditor’s conclusion regarding an entity’s ability to continue as a going concern is important to stakeholders. However, we believe the standards with respect to gathering evidence relative to the entity’s plans to alleviate such doubt could be improved by the revisions we suggest above.		
65.	18	18	<p>We recommend that the audit procedures performed to determine whether the conditions and events identified, when considered in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time encompass the concept of evaluating contradictory audit evidence, as contemplated in paragraph A24 of AU-C section 200, as it relates to cash flow forecasts. We also recommend that application guidance be added to describe what the contradictory audit evidence may include.</p> <p>18. The auditor should obtain sufficient appropriate audit evidence to determine whether the conditions and events identified, considered in the aggregate, raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time by performing additional audit procedures, including consideration of mitigating factors. These procedures should include the following: ...</p> <p>c. When the entity has prepared a cash flow forecast, an analysis of the forecast is a significant factor in considering the future outcome of conditions or events in the evaluation of management’s plans for future actions, (Ref: par.A26-A27x)</p> <p>.evaluating the reliability of the underlying data generated to</p>	Y	Edited. Application guidance was edited from the comment to be more explicit.

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			<p>prepare the forecast and</p> <p>i. determining whether there is adequate support for the assumptions underlying the forecast, <u>including considering contradictory audit evidence</u></p> <p>27x. For example, when evaluating a cash flow forecast, contradictory evidence may include evaluating whether the revenue growth rate assumption in the cash flow forecast is consistent with the revenue growth rate applied to forecasts used for other purposes within the entity. Such other purposes include forecasts used to evaluate the recoverability of deferred tax assets, forecasts used to evaluate goodwill balances or forecasts used the evaluation of the impairment of long-lived assets.</p>		
66.	6	19	<p>Paragraph 19a - Consider revising the introduction of this paragraph to the original wording in SAS 126 to state “regarding its plans” vs “its plans” in the proposed SAS, as this subtle change in the new standard appears to imply that management would have to provide the entire content of its plans in the representation letter.</p>	Y	Edited.
67.	1	20	<p>Paragraph 20 – how is this different than paragraph 18? In paragraph 18 the auditor is required to obtain sufficient appropriate evidence to determine whether the conditions and events identified, considered in the aggregate, raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time by performing additional audit procedures, including consideration of mitigating factors. In paragraph 20 the auditor is required to evaluate whether the auditor has obtained sufficient appropriate evidence . . . In what circumstances would the</p>	N	Paragraph 18 describes the procedures required when conditions or events are identified. Paragraph 20 requires the auditor to make a conclusion based on the evidence obtained. These are two distinct thoughts.

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			auditor, as a result of paragraph 20, determine sufficient appropriate evidence was not obtained and still be in compliance with paragraph 18? I'm guessing that there is some nuance here I have missed.		
68.	10	20	Paragraph 20 is a significant expansion of the auditor's role with respect to going concern. By requiring the auditor to conclude on the appropriateness of management's use of the going concern basis of accounting, we move from consideration on an exception basis, per the conclusion in Paragraph 21, to affirming the validity of the going concern basis in every audit, even when the control environment makes greater than low risk of not being a going concern a remote probability.	N	Using a going concern basis of accounting is a GAAP requirement and often a requirement of other financial reporting frameworks. The standard is written from a scalable perspective that if low risk the effort should not be significant.
69.	18	22	<p>Paragraph 19 of GASB Statement No. 56 includes specific disclosure criteria that should be included in the notes to the financial statements. Currently the application guidance includes FASB-specific terminology. We recommend that GASB-specific language be added to provide parallel considerations for governmental entities (see paragraph A30x).</p> <p>Further, for governmental entities, when substantial doubt about going concern exists, paragraph 11(h) of GASB Statement No. 34, <i>Basic Financial Statements, and Management's Discussion and Analysis, for State and Local Governments</i> (GASB Statement No. 34), notes that a discussion may be required to be included in Management's Discussion and Analysis ("MD&A"), depending on the facts and circumstances. This MD&A has been determined to be "Required Supplementary Information" in paragraph 129 of</p>	Y	Edit, with the exception of the employee benefit plan suggestion because it is matter for the Employee Benefits Audit Guide.

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			<p>GASB Statement No. 34. We recommend that an application guidance paragraph addressing the auditor’s responsibility related to the required MD&A disclosures should also be included in the proposed SAS (see paragraph A30y).</p> <p style="text-align: center;"><i>Adequacy of Disclosure When Conditions or Events Have Been Identified and Substantial Doubt Exists</i></p> <p>22. If the auditor concludes that management’s use of the going concern basis of accounting is appropriate in the circumstances but substantial doubt exists about an entity’s ability to continue as a going concern for a reasonable period of time, the auditor should evaluate the adequacy of the financial statement disclosures as required by the applicable financial reporting framework. (Ref: par. A29-A30<u>A30y</u>)</p> <p style="text-align: center;"><i>Adequacy of Disclosure When Conditions or Events Have Been Identified and Substantial Doubt Exists</i></p> <p>A30 ...</p> <p><u>A30x. For example, under the GASB statements, if it is determined that there is substantial doubt about a governmental entity’s ability to continue as a going concern, the notes to the financial statements are required to include disclosure</u></p>		

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			<p style="text-align: center;">of the following, as appropriate:^[X]</p> <p><u>a. Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.</u></p> <p><u>b. The possible effects of such conditions and events Government officials' evaluation of the significance of those conditions and events and any mitigating factors</u></p> <p><u>c. Possible discontinuance of operations</u></p> <p><u>d. Government officials' plans (including relevant prospective financial information)</u></p> <p><u>f. Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.</u></p> <p><u>(Ref: par. 22)</u></p> <p><u>Footnote x: Paragraph 19 of GASB Statement No. 56.</u></p>		

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			<p><u>Required Supplementary Information – Management’s Discussion and Analysis</u></p> <p><u>A30v. Under the GASB statements, a discussion in Management’s Discussion & Analysis (“MD&A”) is required of currently known facts, decisions, or conditions that are expected to have a significant effect on the government’s financial position or results of operations. If it is determined that there is substantial doubt about a governmental entity’s ability to continue as a going concern, it may be necessary to include a discussion of going concern issues in the MD&A, depending on the facts and circumstances. [x] This discussion of going concern issues is presented as Required Supplementary Information and the auditor is required to perform procedures on the Required Supplementary Information in accordance with AU-C 730. Required Supplementary Information, as applicable. [y] (Ref: par. 22)</u></p> <p><u>Footnote x: Paragraph 11(h) of GASB Statement No. 34, and paragraph 19 of GASB Statement No. 56</u></p> <p><u>Footnote y: Paragraph 129 of GASB</u></p>		

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			<p style="text-align: center;"><u>Statement No. 34</u></p> <p><u>Paragraph A3x</u></p> <p>It is recommended that additional considerations relating to going concern be added for a situation in which a severely underfunded pension plan is being audited, as noted in paragraphs 2.129 and 2.130 of the AICPA Audit and Accounting Guide: <i>Employee Benefit Plans</i>.</p> <p style="text-align: center;"><u>Considerations Specific to Employee Benefit Plans</u></p> <p><u>A3x. Management’s use of the going concern basis of accounting may also be relevant to financial statements of employee benefit plans.</u></p> <ul style="list-style-type: none"> • <u>Conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time in employee benefit plans may include situations for example where there is an inability of a plan to continue to meet its obligations as they become due without an extraordinary contribution by the plan sponsor, or</u> • <u>during the course of an audit the auditor becomes aware of</u> 		

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			<u>information that raises substantial doubt about the plan sponsor's ability to continue as a going concern, and the possible impact, if any, on the plan.</u>		
70.	17	23	We note that this paragraph references application guidance in paragraphs A31-A33. We further note that paragraph A32 discusses the notion of fair presentation while the requirement in this paragraph does not address this. We question whether fair presentation should be brought into the requirement by way of additional language, such as adding "including whether they achieve fair presentation" to the end of the paragraph.	N	Application guidance is a reminder of a requirement under GAAS through a different standard in considering fair presentation; therefore, it is not needed in the requirement in AU-C 570.
71.	18	26	<p>The terminology used in the emphasis-of-matter paragraph needs to be aligned with that used in the applicable financial reporting framework. We recommend the following edit be made to the proposed SAS.</p> <p>The emphasis-of-matter paragraph about the entity's ability to continue as a going concern for a reasonable period of time should be expressed through the use of terms <u>consistent with those included in</u> required by the applicable financial reporting framework. In a going-concern emphasis-of-matter paragraph, the auditor should not use conditional language concerning the existence of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.</p>	Y	Edit
72.	9	27	Paragraph 27, which addresses an auditor's actions when adequate disclosure of an entity's ability to continue as a going concern is not made in the financial statements, further refers to paragraph A43. We find that A43 does not expand on paragraph 27; rather, it adds an entirely new element.	Y	Edited to attach paragraph A43 as application guidance to paragraph 25.

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			Therefore, we propose removing paragraph A43 from the “Application and Other Explanatory Material” section of the proposed statement and bringing it forward to paragraph 27.		
73.	12	27	Paragraphs 27 and A43 – Paragraph 27 addresses an auditor’s actions when adequate disclosure of an entity’s ability to continue as a going concern is not made in the financial statements, and further refers to paragraph A43. Paragraph A43 does not expand on paragraph 27, rather it adds an entirely new element. We recognize that paragraph A43 comes from the ISA standard; however, based on the current text of proposed paragraph 27, this new element in paragraph A43 does not appear to be relevant to paragraph 27. Therefore, we suggest the Board make the paragraphs relatable, or remove the reference to A43 from paragraph 27 and determine a more appropriate requirement paragraph to make such a reference.	Y	See disposition above.
74.	17	27	We note this paragraph references application guidance in paragraph A43; however, we believe paragraph A43 would be better referenced from paragraph 25 or 26. We ask the Board to consider adjusting this reference.	Y	See disposition above.
75.	3	28	Paragraph 28 states, “If management is unwilling to make or extend its evaluation when requested to do so by the auditor, the auditor should consider the implications for the auditor’s report.” In this requirement, the word “make” does not align with the terminology used earlier in the standard. Paragraph 11 provides guidance on whether management has “performed” an evaluation. We suggested it would be clearer to use the same “perform” terminology in this paragraph and throughout the standard rather than the term “make”. Also, it is unclear whether the word “extend” contemplates performing a more extensive (i.e., thorough) evaluation, or	Y	Edited. Edits not made regarding extend as this is based upon facts and circumstances that would be difficult to provide guidance and there were no other comments related to this point.

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			extending the evaluation to a later date. Since the evaluation extends until the date required by the financial reporting framework or until the financial statements are issued or ready to be issued, the only circumstance in which we could see a need for extending the evaluation to a later date is when there is a significant amount of time between the date the financial statements are ready to be issued and when they actually are issued. We suggest use of the word “extend” be clarified in paragraphs 28 and A44.		
76.	6	29	Paragraph 29a - Consider adding “about an entity’s ability to continue as a going concern” to the end of this paragraph to clarify the intention of this paragraph.	N	Decided at ASB that if the concept is already included in the sentence there was not a need to repeat it in order to keep some of the sentences more concise.
77.	3	31	We recommend adding the following requirement to paragraph 31: e. evaluating the adequacy of subsequent event disclosures in the revised financial statements, including the adequacy of the disclosures regarding management’s plans that were implemented and events and conditions that alleviated the substantial doubt.	Y	Instead of adding e – including adequacy of the disclosures regarding management’s plans was added to the end of bullet b that already discussed subsequent events.
78.	1	32	Paragraph 32 states “If there is significant delay in the issuance of the financial statements by management or those charged with governance after the date of the financial statements (or the availability to be issued), the auditor should inquire as to the reasons for the delay.” What would be a significant delay? There are numerous nonprofit organizations and governments that issue their financial statements up to 9 months after the financial statement date. Would this be considered a significant delay? It would seem “a significant	Y	Deleted the concept of the financial statements or available to be issued since typically the auditor does not have any other responsibilities if they are available to be issued. Since it is no longer tied to the financial statement date

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			delay” could be defined. I would offer for consideration a period of greater than one year subsequent to the most recent period being presented in the financial statements. For example, for financial statements as of and for the year ended December 31, 2015 a significant delay might be when the financial statements were issued after December 31, 2016.		there is less of a reason to define a significant delay as this is left to auditor judgment based on the expectation of when the financial statements would be finalized.
79.	12	32	This paragraph provides that if there is significant delay in the issuance of the financial statements by management or those charged with governance after the date of the financial statements (or the availability to be issued), the auditor should inquire as to the reasons for the delay. However, the proposed ED does not provide assistance in evaluating what constitutes a “significant delay.” Please clarify.	Y	See above.
80.	3	33	We recommend revising paragraph 33 to read as follows (proposed additions are shown in bold font; proposed deletions are struck through): If the auditor believes there is, or before consideration of management’s plans there was, there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time, the auditor should document the following: (Ref: par. A49) a. The conditions or events that led the auditor to believe that there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. b. The elements of management’s plans that the auditor considered to be particularly significant to overcoming the conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern.	Yes	Edited

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			<p>c. The audit procedures performed to evaluate the significant elements of management’s plans and evidence obtained.</p> <p>d. The auditor’s conclusion as to whether substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains or is alleviated. If substantial doubt remains, the auditor also should document the possible effects of the conditions or events on the financial statements and the adequacy of the related disclosures. If substantial doubt is alleviated, the auditor also should document the auditor’s conclusion as to the need for, and, if applicable, the adequacy of, disclosure of the principal conditions or events that initially caused the auditor to believe there was substantial doubt and management’s plans that alleviated the substantial doubt.</p> <p>e. The auditor’s conclusion with respect to the effects on the auditor’s report.</p>		
81.	14	33	<p>We recommend the following change to paragraph 33e to document the auditor’s conclusion about the appropriateness of the going concern basis of accounting:</p> <p><i>e.</i> The auditor’s conclusion with respect to the effects on the auditor’s report <u>including, the appropriateness of the going concern basis of accounting.</u></p>	N	Since this bullet relates to audit report it was not added to e.
82.			Left blank.		
83.	3	A1	<p>We recommend the last sentence of paragraph A1 be revised to read as follows (proposed addition is shown in bold font; proposed deletions are struck through):</p> <p>Accordingly, this SAS does not apply to an audit of a complete set of general purpose under using financial statements prepared under the liquidation basis of accounting.</p>	N	See note above in comment #40.

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84.	17	A2	We recommend the following edit to this paragraph: ...AU-C 800 and AU-C section 805...also address consideration of <i>management's</i> disclosures related to risks and uncertainties. This paragraph may also be impacted by the Board's consideration and possible actions relative to our comment on AU-C 800 found later in this appendix.	Y	Edited.
85.	3	A3	In paragraph A3, the phrase "public sector entities" appears to only refer to state and local governmental entities that apply the standards of the Governmental Accounting Standards Board in the preparation of financial statements. We believe the term "public sector" often is used more broadly to also encompass not-for-profit entities. Because not-for-profit entities apply the standards of the Financial Accounting Standards Board in the preparation of financial statements, we recommend replacing the term "public sector" with a different term, such as "governmental."	Y	Edited
86.	12	A3	In addition, we note that the section heading and text of paragraph A3 use the term, <i>public sector entities</i> , which has not been used in the clarified standards. For consistency, we recommend that the Board revise the term to <i>governmental entities</i> .	Y	Edited.
87.	14	A3	In paragraph A3, we recommend changing the term "public sector" to "governmental entities" to maintain consistency with the AICPA and GASB standards.	Y	Edited.
88.	18	A3	The terminology used in paragraph A3 of the proposed SAS is inconsistent with paragraph 16 of GASB Statement No. 56 and should be amended accordingly. <i>Considerations Specific to Public Sector Entities</i>	Y	Edited.

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			<p>A3. Management’s use of the going concern basis of accounting is also relevant to financial statements of public sector entities. For example, GASB Statement No. 56, <i>Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards</i>, addresses the issue of the ability of public sector governmental entities to continue as a going concern for <u>12 months beyond the financial statement date, with consideration of information known to the government that may raise substantial doubt shortly thereafter (for example, within an additional three months)</u> a reasonable period of time. Going concern indicators may arise in, but are not limited to, situations in which public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. Conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time in the public sector may include situations in which the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.</p>		
89.	18	A3	<p><u>Paragraph A3x</u></p> <p>It is recommended that additional considerations relating to</p>	N	See Comment #69 above.

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			<p>going concern be added for a situation in which a severely underfunded pension plan is being audited, as noted in paragraphs 2.129 and 2.130 of the AICPA Audit and Accounting Guide: <i>Employee Benefit Plans</i>.</p> <p style="text-align: center;"><u>Considerations Specific to Employee Benefit Plans</u></p> <p><u>A3x. Management’s use of the going concern basis of accounting may also be relevant to financial statements of employee benefit plans.</u></p> <ul style="list-style-type: none"> • <u>Conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time in employee benefit plans ma there is an inability of a plan to continue to meet its obligations as they become due without an extraordinary contribution by the plan sponsor. or</u> • <u>during the course of an audit the auditor becomes aware of information that raises substantial doubt about the plan sponsor’s ability to continue as a going concern. and the possible impact, if any, on the plan.</u> 		
90.	12	A4	We suggest adding clarification on whether a situation where an entity is unable to meet its obligations as they become due on its own but is able to trigger a guarantee made by a third party located outside of the reporting entity (such as situations	N	Standard is clear conditions and events are considered before management’s plans and triggering a guarantee

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			addressed by GASB 70) would be considered a condition or event giving rise to substantial doubt about an entity's ability to continue as a going concern and whether the existence of repayment requirements to the guarantor would change this determination. We believe that such situations give rise to substantial doubt. Such guidance is especially important for governmental entities, since such guarantees are often in place and there is a much stronger presumption that a governmental entity will continue to exist, which may obscure the going concern evaluation.		seems to be execution of management plan that would need to be determined if that is probable under this situation.
91.	17	A4	We believe the language towards the end of this paragraph mischaracterizes the framework under which an audit is performed and therefore recommend the following edits: ... This SAS uses the terminology of the FASB standards and GASB statements; if an audit is performed <i>on financial statements prepared</i> under another financial reporting framework...	Y	Edit
92.	14	A6	We recommend the following change to paragraph A6 to conform to the guidance in Paragraph 26 of IAS 1, which does not refer to the financial statement date: c. International Accounting Standards Board – at least, but not limited to, one year from the end of the reporting period (that is, the financial statement date) .	Y	Edited except the word period at the end was kept.
93.	17	A6	We recommend the following edit to the lead-in of this paragraph: Most financial reporting frameworks requiring an explicit management evaluation of the entity's ability to continue as a going concern specify the period of time <i>for events or conditions</i> to be evaluated...	N	Change not made as not all of the applicable financial reporting frameworks use the term events or conditions.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
94.	1	A7	Paragraph A7 includes the following language: “Determining whether there is substantial doubt depends on an assessment of relevant conditions and events, in the aggregate, that are known and reasonably knowable at the date that the financial statements are issued (or at the date the financial statements are available to be issued when applicable).” Does this mean that if there are conditions or events that were not known to the auditor, but that were reasonably knowable at the date the financial statements were issued, the auditor has no responsibility for these conditions or events? I request the ASB consider amending this language to “Determining whether there is substantial doubt depends on an assessment of relevant conditions and events, in the aggregate, that are known or reasonably knowable at the date that the financial statements are issued (or at the date the financial statements are available to be issued when applicable).”	N	Wording comes from ASU 2014-15.
95.	1	A7	Paragraph A7 – I would offer for the ASB’s consideration to add to internal matters “Material noncompliance that the consequences of which might jeopardize the entity’s ability to operate”.	N	Wording comes from ASU 2014-15.
96.	2	A7	we suggest adding another example of “possible financial difficulties.” This example is “using debt for operating expenses on a recurring basis” and is one that governments with fiscal sustainability issues have in common.	N	Wording comes from ASU 2014-15 but edits were made to include all of GASB indicators.
97.	12	A7	We suggest including in the list of examples for governmental entities the loss of key grant funding, and using debt for operating expenses on a recurring basis.	N	See explanation from comment no. 96.
98.	17	A7	We recommend the following edit to this paragraph: ...The existence of one or more of these conditions or events does not determine <i>indicate</i> that there is substantial doubt...	N	Wording comes from ASU 2014-15.

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99.	18	A7	<p data-bbox="632 261 831 293"><u>Paragraph A7x</u></p> <p data-bbox="632 345 1373 488">The application guidance included in paragraph A7 is FASB-specific. We recommend that similar adverse conditions be listed to provide similar considerations for governmental entities.</p> <p data-bbox="793 532 1415 719"><u>A7x. The GASB statements also include examples of indicators where there may be substantial doubt about a governmental entity's ability to continue as a going concern. [x]</u></p> <p data-bbox="837 740 1394 1065"><u>a. Negative trends—for example, recurring periods in which expenses/expenditures significantly exceed revenues, recurring unsubsidized operating losses in business-type activities, consistent working capital deficiencies, continuing negative operating cash flows from business-type activities, or adverse key financial ratios</u></p> <p data-bbox="837 1117 1386 1401"><u>b. Other indications of possible financial difficulties—for example, default on bonds, loans, or similar agreements; proximity to debt and tax limitations; denial of usual trade credit from suppliers; restructuring of debt (other than refundings); noncompliance with statutory capital or reserve</u></p>	Y	Edit

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			<p style="text-align: center;"><u>requirements; or the need to seek new sources or methods of financing or to dispose of substantial assets</u></p> <p style="text-align: center;"><u>c. Internal matters—for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project or program, uneconomic long-term commitments (burdensome labor contracts, for example), or the need to significantly revise operations</u></p> <p style="text-align: center;"><u>d. External matters—for example, legal proceedings, legislation, or similar matters that might jeopardize intergovernmental revenues and the fiscal sustainability of key governmental programs; loss of a critical license or patent for a business-type activity; loss of a principal customer, taxpayer, or supplier; or uninsured or underinsured catastrophe such as a drought, earthquake, or flood.</u></p> <p style="text-align: center;"><u>Footnote x: Paragraph 17 a-d of GASB Statement No. 56.</u></p>		
100	1	A8	Paragraphs A8 and A10 and A30 – I would request the ASB include discussion that addresses the GASB requirements related to going concern.	Y	See below.

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
101	12	A8	We suggest this paragraph specifically note that pursuing legal action, entering into bankruptcy or similar procedures, entering into negotiated settlements, pursuing government assistance, or other gain contingencies would not be considered mitigating factors. Such guidance is especially important for governmental entities, since there are often strong public policy expectations for bailouts and a much stronger presumption that a governmental entity will continue to exist, which may obscure the going concern evaluation.	N	See below specific edits for governmental entities were added the source was GASB 56, paragraph 18.
102	16	A8	The Board may wish to consider elaborating on the process of obtaining debt covenant violation waivers. This is an area of change where management and auditors may overlook the impact of the extended assessment period (reasonable period of time).	N	Wording comes from ASU 2014-15.
103	17	A8	We recommend the Board consider the following edits to paragraph A8; if the Board accepts these edits, we believe paragraph A9 becomes unnecessary and would recommend deleting it. Although the examples in paragraph A8 are in fact from the FASB standard, we note that following the application guidance would suggest considering these examples regardless of the framework (FASB or otherwise). ... The following are examples in the FASB standards of plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. ... Below each example is a list of the types of information that management should might consider at the date that the financial statements are issued...	N	As acknowledged in comment wording comes from ASU 2014-15; therefore, changing should to might has a difference. Also, see above we have added GASB considerations as they are different. In the FASB standards was deleted as factors might be broader than just entities preparing financial statements under US GAAP.
104	18	A8	<u>Paragraph A8x</u> We recommend that examples of mitigating factors relevant	Y	Language from GASB 56 paragraph 18 was included

<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			<p>to governmental entities also be added to provide further application guidance for those audits being performed in the public sector.</p> <p><u>A8x. The indicators listed in paragraph A7x may be mitigated by other factors. The following are examples of plans that management in the public sector may implement, in addition to those applicable in paragraph A8, to mitigate conditions or events that raise substantial doubt about a governmental entity’s ability to continue as a going concern for a reasonable period of time. The examples are not all- inclusive. Below each example is a list of the types of information that management should consider at the date the financial statements are issued in evaluating the feasibility of the plans to determine whether it is probable that the plan will be effectively implemented within one year after the date the financial statements are issued.</u></p> <p><u>a. Plans to generate revenue</u></p> <p><u>i. Increase taxes and other own-source revenue where rates are approved by the governing body</u></p> <p><u>b. Plans to draw on borrowing power</u></p>		<p>instead of the specific edits recommended.</p>

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			<p><u>i. Leverage financing ability through the issuance of additional debt</u></p> <p><u>ii. Refinance or restructure long-term debt, restructuring repayment of future principal interest payments.</u></p>		
105	1	A10	Paragraphs A8 and A10 and A30 – I would request the ASB include discussion that addresses the GASB requirements related to going concern.	Y	Edited. See above edits to A7 and A8. There is no specific GASB guidance for A10.
106	17	A12	We recommend the following edit to this paragraph: If management is preparing interim financial statements, the FASB standards require <i>management to perform</i> a going concern evaluation for the interim periods....	Y	Edited.
107	1	A13	Following paragraphs A13 and A14 (or as part of one of those paragraphs) – I would request the ASB include discussion that owners may have resources available to them as individuals that they can contribute (through capital) or loan to the entity to provide operating capital.	N	Concept is already discussed in A21.
108	6	A15	We agree with the reminder that conditions or events that raise substantial doubt may affect other risk assessments previously made during the audit. We recommend questions about realizability of long-lived assets and deferred tax assets to be listed as non-inclusive examples of common areas where risk assessments may need to be revisited.	N	Focus on ASU 2014-15 is ability to meet obligations; therefore, including these examples would not be appropriate in AU-C 570.
109	3	A16	We believe the heading immediately preceding paragraph A16 should be revised to reference paragraphs 14 through 16.	N	Changes made based upon other edits.

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110	17	A16	<p>We recommend the following edit to this paragraph:</p> <p>Management’s evaluation... is a key part of <i>an important consideration with respect to</i> the auditor’s conclusion on management’s use of the going concern basis of accounting and whether substantial doubt exists.</p>	Y	Edited.
111	17	A18	<p>We recommend the following edits to this paragraph in order to provide greater clarity; the use of “assessment” aligns with FASB ASC 205-40-50-10:</p> <p>In other circumstances, evaluating management’s evaluation of <i>assessment as to</i> whether there is substantial doubt as required by paragraph 14 may include an evaluation of the process management followed to make its evaluation, the assumptions on which the evaluation <i>assessment</i> is based, management’s plans, and whether management’s plans are feasible in the circumstances to alleviate substantial doubt.</p>	N	It was deliberated with the ASB to use evaluation and not assessment.
112	1	A19	<p>Paragraph A19 states “the auditor’s conclusions might be principally based on procedures performed to test management’s compliance with the applicable financial reporting framework”. The use of the terms “principally based” is confusing. Does the ASB mean a principles-based approach? Or does the ASB mean “primarily based”?</p>	Y	Changed to primarily.
113	17	A19	<p>We recommend the following edits to this paragraph:</p> <p>Some <i>For</i> financial reporting frameworks <i>that require the entity to make an evaluation about whether there is substantial doubt</i>, for example, the FASB standards and the GASB statements, require the entity to make an evaluation about whether there is substantial doubt. In these circumstances, the auditor’s conclusions might be principally based on <i>the auditor’s</i> procedures performed to test</p>	Y	Edited.

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			management's compliance with the applicable financial reporting framework.		
114	18	A19	<p>We noted that a reference was made to substantial doubt, without further clarifying the concept as has been done consistently elsewhere in the proposed SAS. See recommended edits below.</p> <p style="padding-left: 40px;">A19. Some financial reporting frameworks, for example, the FASB standards and the GASB statements, require the entity to make an evaluation about whether there is substantial doubt <u>about an entity's ability to continue as a going concern for a reasonable period of time</u>. In these circumstances, the auditor's conclusions might be principally based on procedures performed to test management's compliance with the applicable financial reporting framework.</p> <p style="padding-left: 40px;">A22. As required by paragraph 13, the auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of evaluation used by management that may bring into question whether there is substantial doubt <u>about an entity's ability to continue as a going concern for a reasonable period of time</u>. Since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further in the future, the indications</p>	Y	Edited for A22. A19 with other edits made it is not applicable.

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			of going concern issues need to be significant before the auditor considers taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate the potential significance of the event or condition on its evaluation of whether substantial doubt exists. In these circumstances, the procedures in paragraph 18 apply.		
115	12	A20	This discussion appears to incorrectly imply that paragraph 17 requires auditors to request that management extend its evaluation. However, paragraph 17 appears to only require auditor inquiry regarding conditions management knows about but is outside their period of evaluation. We believe that paragraph 17 requirements are appropriately stated and that it is neither necessary nor advisable for auditors to request that management extend their period of evaluation.	Y	Deleted the sentence that referenced paragraph 17 as it is correct this is just an inquiry and based upon management's knowledge; therefore, is not needed in this context.
116	17	A20	We note this paragraph states that the requirement in paragraph 17 may be satisfied by "discussion, inquiry, and inspection" (emphasis added). Does the Board intend for this to imply that satisfying the requirement would entail all three actions? Or is it possible that the requirement may be satisfied by any of those actions, or a combination of actions, whereby an "or" may be more appropriate than the current "and" in the paragraph?	Y	See above this sentence was deleted.
117	2	A22	(last sentence) we suggest making the following addition: "In these significant circumstances, the procedures in paragraph 18 apply	Y	See above this sentence was deleted.
118	12	A22	In the last sentence, we suggest making the following addition: "In these significant circumstances, the procedures in paragraph 18 apply."	Y	See above this sentence was deleted.

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119	17	A22	<p>We recommend the following edits to this paragraph:</p> <p>... Since the degree of uncertainty associated with the outcome of an event or condition increases as the occurrence of the event or condition is further into the future, in considering events or conditions further in the future, the indications of going concern issues related to those events or conditions need to be significant before the auditor considers taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate consider the potential significance of the event or condition on in its evaluation of whether substantial doubt exists....</p>	Y	See above this sentence was deleted.
120	2	A24	we recommend adding another possible relevant factor such as “Analyzing the ability to maintain the level of service provided in prior periods.” This is more a government example because a government’s focus is providing services.	N	Forecast more broadly are discussed in bullet point of this paragraph.
121	3	A24	<p>We recommend paragraph A24.d. be revised to read as follows (proposed addition is shown in bold font; proposed deletion is struck through):</p> <p>Reading minutes of the meetings of shareholders, those charged with governance, and relevant committees for reference to financing financial difficulties</p>	Y	Edited.
122	3	A24	<p>We recommend paragraph A24.h. be clarified to read as follows (proposed additions are shown in bold font; proposed deletions are struck through):</p> <p>Performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect exacerbate substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time</p>	Y	Edit

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123	12	A24	We recommend adding as an audit procedure “Analyzing the ability to maintain the level of service provided in prior periods.”	N	See above.
124	18	A25	<p>Paragraph <u>A25</u></p> <p>Application guidance should be added related to evaluating management’s plans for future actions as they pertain specifically to public sector entities. We recommend adding additional examples to paragraph A25.</p> <p style="padding-left: 40px;">A25. Evaluating management’s plans may include performing audit procedures that the auditor considers necessary in the circumstances regarding management’s plans for future action, including, for example, its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. <u>For public sector entities, evaluating management’s plans may also include management’s plans for future actions, including, for example, its plans to increase taxes to the extent allowable by law (as well as obtaining the necessary approvals to do so), or issue additional debt up to the legal debt limit.</u> (s See paragraphs A8 and 8x for examples of other plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time).</p>	Y	Edit

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125	17	A27	As noted in the body of our letter, we recommend this application guidance be elevated to require the auditor to obtain such support letters where deemed necessary. The application guidance could then address situations where the support letter is not obtained.	Y	Elevated to a requirement. Also, see Issue VI.
126	1	A30	Paragraphs A8 and A10 and A30 – I would request the ASB include discussion that addresses the GASB requirements related to going concern.	Y	Edited.
127	17	A31	We recommend deleting the lead-in phrase to this paragraph so that the paragraph would begin “The auditor is required by paragraph 23...” We believe the lead-in is extraneous given the requirement paragraph to which the application guidance refers.	N	Kept for clarity.
128	18	A31	<p>The FASB example highlighted in paragraph A31 is “stating” language directly from “Pending Content” in FASB ASC 205-40-50-12; however, certain phrases in the proposed SAS are not reflected in the FASB literature. To ensure consistency between the two bodies of professional literature, we recommend deleting the phrases as follows.</p> <p style="padding-left: 40px;">A31. Even in situations when events or conditions that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time have been identified, but management concludes that no substantial doubt exists after considering its plans, the auditor is required by paragraph 23 to evaluate the adequacy of the financial statement disclosures required by the applicable financial reporting framework. For example, the FASB standards state that if, after considering</p>	Y	Certain edits made to be consistent with other places to not be a direct quote as some of the edits were agreed to with the ASB to not use the same words as the FASB.

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			<p>management’s plans, substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time is alleviated as a result of consideration of management’s plans, an entity shall disclose in <u>the footnotes</u> a note to the financial statements information that enables users of the financial statements to understand <u>all of</u> the following <u>(or refer to similar information disclosed elsewhere in the footnotes)</u>:</p> <ul style="list-style-type: none"> a. Principal conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time (before consideration of management’s plans) b. Management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations <p>Management’s plans that alleviated substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time</p>		
129	6	A33	<p>The responsibility for going concern disclosures has now been placed on management as a result of accounting pronouncements issued by the various financial boards. The phrase “the auditor may consider disclosure guidance set out” may imply that the auditor now has a responsibility for disclosure in situations where financial reporting frameworks are silent. We suggest that the phrase be rewritten to indicate</p>	N	<p>Auditor is required to consider if financial statements are fairly presented and in this context this is what the paragraph is referring to.</p>

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<i>No.</i>	<i>Responder</i>	<i>para</i>	<i>Comment</i>	<i>Change?</i>	<i>TF Comment</i>
			“the auditor may request management to consider the disclosure guidance...”		
130	17	A35	We recommend the following edit to the parenthetical phrase in this paragraph: ...(for example, under the FASB standards, the entity is required to comply with FASB ASC 205-30 and prepare the financial statements using the liquidation basis of accounting when an entity’s liquidation becomes imminent).	Y	Edited.
131	17	A36	We believe the information contained in this paragraph may be better presented as a footnote to paragraph A35 as opposed to being separate application guidance.	N	This would be in contradiction to the ASB’s clarity guidelines.
132	14	A37	The first sentence in paragraph A37 refers to the FASB standards, which may cause some auditors to inappropriately conclude that the content in paragraphs A38-A39 applies only to nongovernmental entities. Therefore, we recommend adding the following sentence to the beginning of this paragraph for clarity: “The terms used in the emphasis-of-matter paragraph are intended to align with the terms used in the applicable financial reporting framework.”	Y	Added GASB since substantial doubt applies to GASB statements. Did not add applicable financial reporting framework because paragraph is specific to substantial doubt, which not all the financial reporting frameworks use.
133	14	A38	Paragraph A38 says “...these events, conditions, and management’s plans regarding these matters are also described in Note X...” We believe the intent of this language is to capture all of the disclosures required by the entity pursuant to ASC 205-40-50-13 (and included in paragraph A30). Therefore, we suggest the following revisions to paragraph A6 [sic] to capture the disclosure required by ASC 205-40-50-13b about management’s evaluation of the significance of the events and conditions:	Y	Edited paragraph A38.

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			<p>“...deficiency;. <u>These events, and conditions, management’s evaluation of the events and conditions, and management’s plans regarding these matters are also described in Note X...</u>”</p>		
134	18	A38	<p>We recommend edits to the illustration provided in paragraph A38 to provide further clarity. We also suggest similar editorial revisions be made to the Illustrative examples in Exhibit D to AU-C section 930 (see below), included as an amendment to the proposed SAS.</p> <p style="text-align: center;">A38. ...</p> <p style="text-align: center;"><i>Emphasis of Matter Regarding Going Concern</i></p> <p>The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has <u>suffered recurring losses from operations, has a net capital deficiency, and has stated</u> included a statement that substantial doubt exists about the Company’s ability to continue as a going concern. The Company has suffered recurring losses from operations and has a net capital deficiency; these events, conditions, and mManagement’s plans regarding these matters are also described in Note X. The financial statements do not include any adjustments that might result</p>	Y	Edit

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			from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.		
135	3	A43	In addition to being referenced to paragraph 27, we believe paragraph A43 also should be referenced to paragraphs 25 and 28.	Y	See comment # 72 for disposition
136	17	A43	As noted above, we believe this application guidance paragraph is better referenced to paragraph 25 or 26 as opposed to paragraph 27.	Y	See comment # 72 for disposition
137	18	A43	<p>We do not believe that the application guidance in paragraph A43 <u>only</u> correlates to the heading above titled “Adequate Disclosure About an Entity’s Ability to Continue as a Going Concern Is Not Made in the Financial Statements.” The application guidance pertains to the main section “Implications for the Auditor’s Report” in its entirety. We recommend the following:</p> <ul style="list-style-type: none"> • Striking the heading “Adequate Disclosure About an Entity’s Ability to Continue as a Going Concern Is Not Made in the Financial Statements,” and replacing it with “Considerations Specific to Public Sector Entities.” The heading should be at the <u>same level</u> as “<i>Use of Going Concern Basis of Accounting Is Inappropriate</i>” (i.e., bold and italics). • Adding a cross-reference to paragraph A43 to the following requirement paragraphs: paragraphs 24 and 25. <p>Similarly, the heading above paragraph A44, “Management Unwilling to Make or Extend Its Evaluation,” should also be</p>	Y	<p>See comment # 72 for disposition</p> <p>Edited headings as suggested.</p>

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			re-formatted so that it is at the same level as “ <i>Use of Going Concern Basis of Accounting Is Inappropriate</i> ” (i.e., bold and italics).		
138	4	A44	<p>In addition to our feedback on your questions noted above, we believe the Board should further consider the auditor’s response when management is unwilling to make or extend its evaluation of going concern. When the auditor considers either a qualification or disclaimer of opinion due to limitations imposed by management, there are a number of required procedures in paragraphs .10 - .14 of AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>. To provide auditors with additional guidance, we recommend that A.44 of the Proposed Statement be amended as follows (new or moved content <u>underscored</u>; deleted content strike-through):</p> <p style="padding-left: 40px;">A44. In certain circumstances, the auditor may believe it necessary to request management to make or extend its evaluation. If management is unwilling to do so, a qualified opinion or a disclaimer of opinion in the auditor’s report may be appropriate, because it may not be possible for the auditor to obtain sufficient appropriate audit evidence regarding management’s use of the going concern basis of accounting in the preparation of the financial statements, such as audit evidence regarding the existence of plans management has put in place or the existence of other mitigating factors. <u>AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>, provides guidance when management has imposed a limitation on the scope of the audit that the auditor considers</u></p>	Y	Edited.

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			<p><u>likely to result in a qualified opinion or a disclaimer of opinion in the auditor's report.</u> In addition, management's unwillingness to make or extend its evaluation to meet the period of time required by the applicable financial reporting framework may be an indicator of a deficiency in internal control that is required to be evaluated as to whether it constitutes a significant deficiency or material weakness in accordance with AU-C section 265.</p>		
AUC 930					
139	15	Gen	<p>TIC believes the proposed amendments to AU-C section 930 are logical and necessary. The transition guidance in ASU 2014-15 states that the standard is applicable to interim reporting periods. Therefore, TIC believes a review of interim financial information should include requirements for the auditor to perform review procedures on management's evaluation of going concern and to include an emphasis-of-matter paragraph in the auditor's report when substantial doubt exists about an entity's ability to continue as a going concern. The new requirements will bring AU-C section 570 into alignment with the ASU.</p>	N	Noted
140	18	Gen	<p>D&T believes that it is appropriate for there to be consistency in <u>both</u> auditor performance and auditor reporting when the applicable financial reporting framework includes requirements for management to evaluate the entity's ability to continue as a going concern for a reasonable period of time for <u>either</u> interim or annual financial periods, as this will lead to increased transparency from the user's perspective. Evaluating going concern is typically a very complex area, requiring an in-depth understanding and analysis of the</p>		See Issue III in the Issues Paper.

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			<p>evidence (e.g., examining cash flow and covenant forecasts using different scenarios). Absent guidance that comprehends both interim and annual periods, the resulting procedures that may need to be performed in order to provide the appropriate support for the (a) inclusion of an emphasis-of-matter paragraph in the auditor’s review report, or (b) exclusion of an emphasis-of-matter paragraph, when such a paragraph was previously included in a prior-period audit report, could possibly be insufficient, or not at the appropriate level of precision, to provide the required evaluation.</p> <p>Currently it is not clear from the conforming amendments to AU-C section 930, <i>Interim Financial Information</i> (AU-C section 930), what the work effort may be as it relates to the evaluation of going concern when certain conditions or events exist related to substantial doubt about an entity’s ability to continue as a going concern, given that the auditor is required by paragraph 16 of AU-C section 930 to perform “interim review procedures,” and that the nature and extent of these interim review procedures are a “matter of the auditor’s professional judgment.”</p>		
141	17	Gen	<p>We are supportive of the proposed amendments to AU-C section 930 (AU-C 930), <i>Interim Financial Information</i>, which would now require an emphasis of matter paragraph in the auditor’s review report in circumstances set forth in proposed paragraph 38 of AU-C 930. We agree that this will bring more consistency to reporting throughout the year for a given entity and will also serve as a reminder to auditors as to their responsibilities as of an interim date.</p>	N	Noted
142	3	3	<p>We recommend paragraph 3 be revised based on the effective date of the proposed standard to read as follows (proposed</p>	Y	Edit to reflect that the interim periods should be for interim periods starting

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			<p>additions are shown in bold font; proposed deletions are struck through):</p> <p>These amendments are effective for reviews of interim financial information of for interim for periods of fiscal years ending on or after December 15, 20172018.</p>		after fiscal years ending on or after December 15, 2017.
143	18	16	<p>D&T recommends combining paragraphs 16 and 17 of AU-C section 930 for additional clarity, as opposed to having different requirements dependent on whether the framework requires an evaluation of the entity’s ability to continue as a going concern. By doing so, it will be more clear as to what procedures are to be performed by the auditor in connection with an interim review as it relates to the going concern basis of accounting. Paragraphs 16 and 17 would be deleted in the proposed SAS and replaced with the following requirement.</p> <p><u>16/17. If (a) conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time existed at the date of the prior period audited financial statements, regardless of whether the substantial doubt was alleviated by the auditor’s consideration of management’s plans, or (b) in the course of performing review procedures on the current period interim financial information, the auditor becomes aware of conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, the auditor should</u></p> <p style="padding-left: 40px;"><u>i. if applicable, obtain management’s evaluation of whether there are conditions or events that raised</u></p>	N	The issue was deliberated by ASB to have different requirements when financial reporting framework requires management to evaluate for interim periods compared to when the financial reporting framework does not.

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			<p style="text-align: center;"><u>substantial doubt about the entity’s ability to continue as a going concern. (Ref: par. A24)</u></p> <p style="text-align: center;">ii. <u>inquire of management about its plans for dealing with the adverse effects of the conditions and events. (Ref: par. A23 and A25)</u></p> <p style="text-align: center;">iii. <u>inquire of management whether the going concern basis of accounting is appropriate. and (Ref: par. A23)</u></p> <p style="text-align: center;">iv. <u>consider the adequacy of the disclosure about such matters in the interim financial information. (Ref: par. A24 and A26)</u></p>		
144	17	17	We are concerned that the revisions to this paragraph “raise the bar” and now require the auditor to conclude on going concern on an interim basis as opposed to considering indications of potential substantial doubt as part of the standard interim procedures. While we believe these revisions were made to better align the language with the Proposed SAS, there may be unintended consequences that we recommend the Board consider during its deliberations in finalizing this language.	N	This paragraph did not substantially change from extant.
145	14	38	We support the proposed amendments to paragraph 38 of AU-C 930, <i>Interim Financial Information</i> , that would require the auditor to include a going concern emphasis-of-matter paragraph in its review report when a similar emphasis-of-	N	This situation involve auditor judgment depending upon the circumstances and it is difficult to provide

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			matter paragraph was included in the prior-year audit report and the conditions or events that gave rise to that paragraph continue to exist and have not been alleviated by management's plans. However, if the auditor performing the interim review did not perform the prior-year audit, we believe it would not be appropriate for the auditor to include an emphasis-of-matter paragraph in their review report without performing additional procedures to independently determine whether such a paragraph is warranted. We recommend that the ASB provide application guidance to address predecessor-successor auditor situations.		prescribed procedures related to an interim review.
146	3	A25	A review of interim financial information is not designed to identify conditions or events that may indicate raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.	Y	Edit made and deleted may each time in the paragraph to be consistent with auditing literature.
147	3	A26	We recommend paragraph A26 be revised to remove the word "possible" each time it occurs.	Y	Edited.
148	14	A26	We also observe that paragraph A26 refers to "the entity's possible ability to continue as a going concern." Because the concept of possible ability to continue as a going concern does not exist in the FASB guidance for either annual or interim financial reporting, we recommend removing the word "possible" from the three places it appears in this paragraph. Further, we find this paragraph difficult to follow. We recommend adding a period at the end of item b and starting the last paragraph as a new sentence as follows: "...by the review. The auditor is not..."	Y	Edited.
149	18	A26	Paragraph A26 appears to contradict the requirement in paragraph 38 to include "an emphasis-of-matter paragraph in the auditor's review report ..., regardless of whether the	Y	Edited.

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			<p>entity is required under the financial reporting framework to include a statement in the notes to the interim financial statement that substantial doubt exists....” D&T believes that the language in paragraph A26 stating “...the auditor is not required to modify the report if there is adequate disclosure about these conditions or events in the interim financial information” should be deleted because it seems to indicate no emphasis-of- matter paragraph is required. See recommended edits below. (Note: In order to highlight D&T’s recommendation, all existing amendments to paragraph A26 of AU-C section 930 as reflected in the proposed SAS were accepted)</p> <p style="padding-left: 40px;">A26. SAS No. 13X, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i>, may provide useful guidance to the auditor when considering whether there is adequate and appropriate disclosure in the interim financial information about the entity’s possible ability to continue as a going concern for a reasonable period of time⁷ when</p> <p style="padding-left: 40px;">a. conditions or events have been identified as of the interim reporting date covered by the review and substantial doubt about the entity’s possible ability to continue as a going concern for a reasonable period of time exists or the auditor’s report for the prior year end contained an emphasis-of-matter paragraph indicating the existence of substantial doubt about the entity’s ability to</p>	-	

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			<p>continue as a going concern for a reasonable period of time, and the conditions that raised such doubt continued to exist as of the interim reporting date covered by the review.,</p> <p>the auditor is not required to modify the report if there is adequate disclosure about these conditions or events in the interim financial information. However, if the auditor determines that the disclosure related to substantial doubt about the entity’s possible ability to continue as a going concern is inadequate, resulting in a departure from the applicable financial reporting framework, the auditor is required by paragraph .35 to modify the report.</p>		
150	14	A51	<p>We recommend similar changes to Illustrations 1 and 3 to the amendments to AU-C 930.</p> <p>“...discloses the conditions <u>events and conditions</u>, events, <u>management’s evaluation of the events and conditions</u>, and management’s plans regarding these matters...”</p> <p>“...deficiency;. <u>These events and conditions</u>, <u>management’s evaluation of the events and conditions</u>, and management’s plans regarding these matters are also described in Note 3...”</p>	Y -	Edited.
151	18	A63	<p>We recommend the following editorial changes be made to ensure conformity with terminology used elsewhere in AU-C section 930:</p>	Y	For the most part edits accepted.

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			<p><i>Illustration 1 ...</i></p> <p>The following is an example of situations in which (a) a going concern emphasis-of- matter paragraph was included in the prior year’s auditor’s report, (b) substantial doubt continues to exist from the prior year, and (c) the entity is required under the financial reporting framework to include a statement in the notes to the <u>interim financial information</u> financial statement that substantial doubt exists.</p> <p style="text-align: center;">[Emphasis-of-Matter Paragraph]</p> <p>The accompanying financial statements <u>interim financial information has</u> been prepared assuming that the Entity<u>Company</u> will continue as a going concern. Note 4 of the Entity<u>Company</u>’s audited financial statements as of December 31, 20X1, and for the year then ended, includes a statement that substantial doubt exists about the Entity<u>Company</u>’s ability to continue as a going concern. Note 4 of the Entity<u>Company</u>’s audited financial statements also discloses the conditions, events, and management’s plans regarding these matters including the fact that the Entity<u>Company</u> was unable to renew its line of credit or obtain alternative financing at December 31, 20X1. Our auditor’s report on those financial statements includes an emphasis-of-matter paragraph referring to the matters in Note 4 of those</p>		

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No.	Responder	para	Comment	Change?	TF Comment
			<p>financial statements. As indicated in Note 3 of the Entity's unauditedaccompanying interim financial information as of March 31, 20X2, and for the three months then ended, the Entity still includes a statement that substantial doubt exists about the Entity's ability to continue as a going concern as Note 3 indicatesthe EntityCompany was still unable to renew its line of credit or obtain alternative financing as of March 31, 20X2, <u>and has stated that substantial doubt exists about the Company's ability to continue as a going concern.</u> The accompanying unaudited-interim financial information does not include any adjustments that might result from the outcome of this uncertainty.</p>		
152	18	A52	<p><i>Illustration 2 ...</i></p> <p>The following is an example of situations in which (a) a going concern emphasis-of- matter paragraph was included in the prior year's auditor's report, (b) substantial doubt <u>continues</u> to exist from the prior year, and (c) the entity is not required under the financial reporting framework to include a statement in the notes to the <u>interim financial information</u>financial statement that substantial doubt exists.</p> <p><i>[Note: This paragraph should be indented to follow the formatting in Illustration 1.] [Emphasis-</i></p>	Y	Edit, except the reference to Company.

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No.	Responder	para	Comment	Change?	TF Comment
			<p>of-Matter Paragraph]</p> <p>The accompanying financial statements interim financial information has been prepared assuming that the CompanyEntity will continue as a going concern. Note 4 of the EntityCompany's audited financial statements as of December 31, 20X1, and for the year then ended, discloses that the CompanyEntity was unable to renew its line of credit or obtain alternative financing at December 31, 20X1. Our auditor's report on those financial statements includes an emphasis-of-matter paragraph referring to the matters in Note 4 of those financial statements indicating that these matters raised substantial doubt about the EntityCompany's ability to continue as a going concern. As indicated in Note 3 of the Entity's unaudited accompanying interim financial information as of March 31, 20X2, and for the three months then ended, the CompanyEntity was still unable to renew its line of credit or obtain alternative financing as of March 31, 20X2. Management's plans in regard to these matters are also disclosed in Note 3. The accompanying unaudited interim financial information does not include any adjustments that might result from the outcome of this uncertainty.</p>		
153	18	A52	<p><i>Illustration 3 ...</i></p> <p>The following is an example of an emphasis-of-matter</p>	Y	Edited, except the reference to Company.

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			<p>paragraph when (a) a going concern emphasis-of-matter paragraph was not included in the prior year’s auditor’s report, (b) the entitymanagement is required under the financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists, and (c) such statement is included in the notes to the interim financial information.</p> <p><i>[Note: This paragraph should be indented to follow the formatting in Illustration 1.] [Emphasis-of-Matter Paragraph]</i></p> <p>The accompanying financial statements have interim financial information has been prepared assuming that the CompanyEntity will continue as a going concern. As discussed in Note 3 to the interim financial information financial statements, the CompanyEntity has suffered recurring losses from operations, has a net capital deficiency, and has stated included a statement that substantial doubt exists about the EntityCompany’s ability to continue as a going concern. The Entity has suffered recurring losses from operations and has a net capital deficiency; these events, conditions, and m Management’s plans regarding these matters are also described in Note 3. The</p>		
			<i>SAS 122</i>		
154	15	A22	Proposed paragraph .A22 should follow proposed paragraph .A21	Y	Edited.

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			<p>Extant paragraph .A22—This application paragraph already includes the notion of fair presentation and the auditor’s consideration of the disclosure of significant uncertainties. Proposed paragraph .A23 already includes some of the same guidance as extant paragraph .A22 and should follow, or perhaps be edited and merged with, extant paragraph .A22</p> <p style="text-align: center;">Extant .A23</p>		