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International Auditing and Assurance Standards Board
International Federation of Accountants
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Via IAASB website at www.iaasb.org

Dear Board Members and Staff:

Grant Thornton International Ltd appreciates the opportunity to provide input on the International Auditing and Assurance Standard Board's (IAASB) Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements – Expectation Gap (the Discussion Paper).

We found the Discussion Paper to be a well written paper that has been an effective tool to stimulate discussions of matters concerning fraud and going concern. Understanding the going concern assumption, the implications of a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern, and the requirements of the underlying financial reporting frameworks and local law and regulation is a complex and challenging area, which is made more complex by additional requirements in some jurisdictions to report on the company's assessment of its future viability. Similarly, the auditor's responsibilities in relation to fraud is one of the most misunderstood and misinterpreted responsibilities.

Irrespective of whether the existing international auditing standards are amended or whether new or enhanced requirements are developed, we believe that it is key that stakeholders in the financial reporting ecosystem have a full understanding of what the terms and requirements identified above mean and the respective responsibilities of management or those charged with governance and of the auditor in each of these areas.

We also highlight the importance of the role of management and those charged with governance. When considering aspects of fraud, the preparation of the financial statements on the going concern basis of accounting, and where relevant, the assessment of the entity's future viability, management and those charged with governance have 'to go first.' That is, they are responsible for implementing the appropriate mechanisms and controls to prevent and detect fraud, for selecting the appropriate accounting policies, for performing a robust analysis of the entity's ability to continue as a going concern and for making the appropriate disclosures in the financial statements, as required by the applicable financial reporting framework. It is therefore imperative that financial reporting frameworks and local law and regulation require these actions of management and those charged with governance along with robust and fulsome disclosures in the financial statements.

Overall, we are of the view that adding new requirements or enhancing requirements in the current auditing standards on fraud and going concern will not reduce the expectations gap nor improve audit quality or reporting on fraud and going concern. In fact, it may actually serve to broaden the expectations gap. Additionally, continual changes to the auditor's report are not an effective response to narrowing the expectations gap.

We believe that it is necessary to 'stand back' and consider whether, if additional requirements were in place, these requirements would result in the detection of fraud; and if not, how we can address these issues in a different manner. Frauds are not generally being identified in new areas of the financial statements, yet they continue to be perpetrated, which raises the question of whether the root cause of such frauds has really been understood. We need to fully understand why frauds are occurring before we can implement measures aimed at preventing or detecting future frauds. Further, as we explain in more detail in our response below; technology has advanced significantly since these standards were originally developed and is now widely available to firms of all size; as such, exploring how technology can be used better in the performance of an audit, may result in a better outcome than modifying the existing requirements and guidance.

In conclusion, we believe that addressing investor and other stakeholder expectations and an improvement in the quality of the audit and of reporting in the areas of fraud and going concern is a shared responsibility; it requires all stakeholders, including auditors, to play their part if significant advancement is going to be made. Simply changing the auditing standards alone will not result in a significant change.

We attach our detailed responses to the Discussion Paper, which elaborate on the points highlighted above and which draw on the practical experience of our member firms. We would be pleased to discuss our comments with you. If you have any questions, please contact me or Sara Ashton at sara.hm.ashton@uk.gt.com or at +1 646 825 8468.

Sincerely,

R. Trent Gazzaway
Global Head – Quality
Grant Thornton International Limited

Enc: Appendix A: Responses to Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements – Expectation Gap

The IAASB's Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements – Expectation Gap

The following provides our detailed response to the IAASB's request for comments to the Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements – Expectation Gap.

Q1. In regard to the expectation gap:

a) What do you think is the main cause of the expectation gap relating to fraud and going concern in an audit of financial statements?

In our view, the main cause of the expectations gap relating to fraud and going concern in an audit of financial statements is the knowledge gap – described in the Discussion Paper as the difference between what the public thinks auditors do and what auditors actually do. This can also be somewhat exacerbated by the media focus on the auditor when frauds or going concern issues are uncovered subsequent to the completion of the audit and the issuance of the auditor's report, especially when this results in the failure of the business. Media focus, in general, is naturally biased towards coverage of such issues and the perceived failures of the auditor, rather than providing more balanced reporting that also reports instances where the auditor has been instrumental in identifying issues or have even prevented a fraud from being perpetrated just through the performance of an effective audit.

This misperception, in part, could be addressed by regulators through the provision of 'thematic reviews' that anonymously analyse the work of auditors in the areas of fraud and going concern, including situations where the auditor has been effective in identifying and responding to risks of material misstatement arising from fraud or going concern. The development of 'fraud indices' may also be an effective means of highlighting the value of audits as this would provide the ability to contrast the prevalence and magnitude of frauds in jurisdictions where audits are more pervasive with jurisdictions where audit is less pervasive. This could be something similar to the 'Corruption Perceptions Index' that has been developed by Transparency International that ranks countries on a scale from 'very clean' to 'highly corrupt'.

b) In your view, what could be done, by the IAASB and / or others (please specific), to narrow the expectation gap related to fraud and going concern in an audit of financial statements?

In our view, all stakeholders in the financial reporting ecosystem need to be responsible and accountable for narrowing the expectations gap. Only through this shared responsibility can the expectations gap ever be decreased. More specifically, we believe that the knowledge gap can be decreased through the following actions:

- *All stakeholders* – Better education of, and understanding by, the public on the following:
    - The difference between the different types of engagements, for example, an audit, a review engagement, including interim reviews of historical financial information, or a compilation engagement and the differing levels of assurance, if any, provided by those engagements;
    - Management's responsibilities under the applicable financial reporting framework, including specific responsibilities in relation to fraud and going concern;

    - The auditor's responsibilities in relation to fraud and going concern in each of those engagements, as well as the true nature and inherent limitations of "reasonable assurance;" and
    - The differences between the going concern basis of accounting, the identification of a material uncertainty relating to going concern and the future viability of an entity.
- *Regulators and others responsible for developing financial reporting frameworks* – Clarifying the responsibility of management and those charged with governance, as the first line of defence, to:
    - Consider the potential for fraud in assessing risks to the organisation's objectives[1];
    - Develop a robust system of internal control to address the assessed risks to the organisation;
    - Identify suspected or actual non-compliance with laws and regulations;
    - Identify suspected or actual fraud;
    - Identify and remediate weak control environments;
    - Perform robust analyses of an entity's ability to continue as a going concern;
    - Include robust disclosures in the financial statements in respect of these matters.
- *Regulators* – Performing research to form a better understanding of the specific causes of corporate failures or scandals concerning accounting improprieties. By fully understanding the root causes, actions can be taken by the appropriate parties to prevent future occurrence. As noted in our response to question 1(a), thematic reviews could be used to add to the general understanding through the anonymous analysis of the work of auditors in the areas of fraud and going concern, including situations where the auditor has been effective in identifying and responding to risks of material misstatement arising from fraud and going concern.
- *IAASB* – Issuing guidance that helps apply the standards in the context of the current environment. The manner in which auditors may execute their procedures under the auditing standards through the use of technology has advanced significantly over the past few years. This facilitates different methods or means for auditors to obtain sufficient appropriate audit evidence in support of the audit opinion. In some cases, it facilitates the analysis of an entire class of transactions or account balance. Guidance on how this affects more traditional types of testing is key in promoting the use of new technology to enable auditors to focus on the riskier areas of the audit without fear that regulators would not, in principle, accept the approach.

Q2. This paper sets out the auditor's current requirements in relation to fraud in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this. In your view:

(a) Should the auditor have enhanced or more requirements with regard to fraud in an audit of financial statements? If yes, in what areas?

Financial statement fraud can manifest itself in many ways. It is much broader than just misstatement of the financial statements and can be perpetrated through the omission of

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[1] See the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework, Principle #8 Assess Fraud Risk.

information, through focus on reporting measures that are not required by generally accepted accounting principles, and through the other information provided with the financial statements. Other frauds, especially those that involve collusion, or complex technology, and cyber security attacks are often highly complex and difficult to detect.

We are of the view that to significantly move the needle on the detection of fraud in an audit of financial statements, a substantial change in the auditor's approach to fraud would be needed, such as requiring a forensic audit to be performed. However, we believe that such a change in approach would not produce a net benefit to investors, either because of the excessive cost or the increased time needed to perform the audit resulting in delays in the provision of financial information.

It is also important to note that changes to the auditing standards are changes to the audit of all companies; the vast majority of which will not be subject to financial reporting or other fraud. It is incumbent on the standard setters to consider the cost versus the benefit to the market of such changes.

As such, we would recommend that before developing additional auditing requirements, root cause analysis is performed to determine whether financial reporting frauds have resulted from insufficient requirements in the auditing standards leading to an ineffective or inadequate audit or whether the frauds resulted from an inappropriately executed audit based on existing auditing standard requirements.

Focus of the standards

We note that the ISAs are written in terms of risk of material misstatement arising from fraud and from error. The way in which these risks might arise, and manifest are very different, with fraud usually requiring a higher degree of sophistication, and as such, may need to be considered and assessed differently. We recommend that consideration be given as to whether it would be appropriate for the requirements in the standards to be drafted in a manner that requires separate consideration of the risk of material misstatement due to fraud and the risk of material misstatement due to error. In this respect, we would recommend that consideration is given to reassessing ISA 330[2] and how the responses to the assessed risks of material misstatement could be impacted based on the underlying cause of the risk of material misstatement.

Exploration of how the profession can use advancements in technology to be more effective at detecting fraud may also be helpful in adapting the audit response to the underlying cause of the risk of material misstatement. This includes consideration of advancements such as:

- Continuous auditing
- Enhanced audit data analytics
- Greater use of technology for analysis of classes of transactions, account balances and disclosures

Further, we are of the view that the way in which cyber-crimes can be perpetrated is very different and consideration could be given to developing separate guidance for auditors in these areas, having regard to requirements and guidance that currently exists in other ISAs, for example ISA 315 (Revised 2019).[3] This guidance could be through, for example,

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[2] ISA 330, The Auditor's Responses to Assessed Risks

[3] ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment*

a ‘Staff Audit Practice Alert’, which can be issued on a timelier basis and as such will be more responsive to market developments.

We further recommend outreach in these areas to promote further discussion.

Increased use of specialists

The Discussion Paper considered the need to require use of a forensic specialist on an audit engagement. We note that the term ‘forensic specialist’ could be very broad ranging and an appropriate definition of what this encompasses in terms of skills and competencies in relation to an audit engagement would be needed before inclusion in the ISAs.

We are of the view that a forensic specialist should be used in the same manner as other specialists are used in performing an engagement. For example, a valuation specialist may be used on an engagement when a heightened risk in the valuation of goodwill is identified. Similarly, a forensic specialist could be employed when a heightened risk of fraud is identified. So, whilst we agree there will be instances where the use of such a specialist is necessary or appropriate, we do not believe that it is appropriate to require the use of forensic specialists as a matter of course on all engagements. Such a requirement would not be scalable and for less complex audits, the use of a forensic specialist may simply not be necessary. We are of the view that requiring the use of a forensic specialist in all audits would be anti-competitive; not all firms would have the resources to go down that route. It would also presuppose that there is sufficient availability of appropriately trained and qualified experts in the marketplace.

An alternative approach may be to focus on providing training for auditors on forensic skills. This could be developed by IFAC in conjunction with jurisdictional member bodies and could be required as part of the accountancy qualification for those new to the profession and required as continuing professional education or development for qualified professionals.

Responsibilities and additional procedures in relation to non-material fraud

Responsibilities for the prevention and detection of fraud lie primarily with management and those charged with governance. Management and those charged with governance have the responsibility to create an appropriate control environment and to put in place appropriate controls that minimise the opportunity for fraud to be perpetrated and to detect fraud in circumstances where it does occur.

The auditor’s responsibilities lie in the detection of material misstatement due to fraud, which is inherently more difficult than detecting error, especially where collusion is involved. Where the risk of material misstatement due to fraud arises from collusion amongst senior management, it is likely that the remedy lies with those who develop laws and regulations addressing fraud. Creating a requirement for auditors to identify non-material fraud in general is too onerous and the benefits of doing so would outweigh the costs, which we believe is not in the public interest. Instead, we are of the view that the focus of the auditor, as part of fraud brainstorming procedures, should be on who could be perpetrating fraud and the opportunities for them to do so, focussing on the control environment and the controls that management and those charged with governance have put into place to prevent or detect fraud. Where the auditor identifies a control weakness as a result of these procedures, it will provide the opportunity for the auditor to develop an appropriate response to address the control weakness.

In circumstances where the entity has an internal audit function, we would also recommend that consideration be given as to whether there is a role for internal audit to assist auditors in this area. Requirements and guidance around the use of internal auditors could be enhanced to encourage the use of internal auditors in understanding the risks of material misstatement due to fraud. Internal auditors are subject to codes of conduct, training, competence and capability requirements and could serve as a useful resource, including in relation to knowledge they have obtained in performance of their internal audit responsibilities.

(b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

(i) For what types of entities or in what circumstances?

(ii) What enhancements are needed?

(iii) Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

We are of the view that all procedures in relation to fraud should be relevant to all entities irrespective of the type of entity or its specific circumstances.

We are also of the view that instead of considering enhanced procedures, focus be on differences in the ways that frauds may be perpetrated at different types of entities and in different circumstances. The motivations and opportunities to perpetrate a fraud at a listed entity are very different from those at an owner-managed business. This would promote more critical thinking and the development of audit procedures that are responsive to the fraud risks specific to the entity, rather than engagement teams 'going through the motions' and checking off a list of procedures that are required to be performed, irrespective of whether that procedure is relevant to the entity being audited.

We also highlight the responsibilities of management and those charged with governance of entities subject to audit, in this respect. As we noted in our response to part (a) of this question, management and those charged with governance have the responsibility for developing internal control and the ability to expand the scope of their internal audit procedures to address any concerns about fraud.

(c) Would requiring a 'suspicious mindset' contribute to enhanced fraud identification when planning and performing the audit? Why or why not?

(i) Should the IAASB enhance the auditor's considerations around fraud to include a 'suspicious mindset'? If yes, for all audits or in some circumstances

We do not believe that it is appropriate to enhance the auditor's considerations around fraud to include a suspicious mindset. This term can be interpreted very differently and may lead to an inconsistent practical application absent further clarification.

We are of the view that requiring a suspicious mindset will lead to significant increases in audit effort and cost that would not correspond with an increase in audit quality and may also result in an increase in the expectations gap rather than serving to decrease it.

Starting with a suspicious mindset can also have a negative impact on the way in which the audit is conducted. For example, the current ISAs require audit teams to hold discussions amongst themselves to discuss how and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. Approaching such discussions with a suspicious mindset, rather than a skeptical mindset, could lead to audit teams wasting time trying to identify every possible way in which a fraud could be perpetrated without also thinking of the motivations that may drive fraud. In this example, the focus should be on achieving the right balance of not dismissing matters too quickly and not chasing down every possible way in which a fraud may be perpetrated.

We are also of the view that requiring a suspicious mindset would endanger the effectiveness of the professional relationship with management, or those charged with governance, in a way that could decrease audit quality. For example, to approach an audit with a suspicious mindset, may lead to management or those charged with governance becoming more reticent to provide information and less open to a full and frank discussion of audit matters.

As such, we are of the view that it would be preferable to retain the risk-based approach to the detection of material misstatement due to fraud.

(d) Do you believe more transparency is needed about the auditor's work in relation to fraud in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g., in communications with those charged with governance, in the auditor's report, etc.)?

We are of the view that transparency around the auditor's work in relation to fraud is important, however, expanding the description of the auditor's responsibilities and activities in the auditor's report may not be practicable, well understood or read by users. We also note that the auditor's reports in the UK require disclosure around the extent to which the auditor's report was considered capable of detecting irregularities, including fraud. We would recommend that consideration is given to understanding whether those disclosures have been found to be useful to users of the auditor's report. We believe that it would be important to weigh the benefits of such an approach before considering requirements for such disclosures on an international level.

We agree that further transparency could be considered in the auditor's communications with management and with those charged with governance, however, there is the risk that such communications become boilerplate in nature over time and ultimately lose their value. As we noted in our response to question 2, if the requirements are drafted in a manner that requires separate consideration of the risk of material misstatement due to fraud and due to error, communication of the audit procedures performed in response to these separately identified risks and the results of those procedures could be required to those charged with governance, providing information that is not boilerplate in nature.

Q3. This paper sets out the auditor's current requirements in relation to going concern in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this. In your view:

(a) Should the auditor have enhanced or more requirements with regard to going concern in an audit of financial statements? If yes, in what areas?

We note that extant ISA 570 (Revised)[4] only became effective for audits of financial statements for periods ending on or after December 15, 2016 and as such it may be too early to make a determination as to whether additional or enhanced requirements are necessary. We also note that the UK Financial Reporting Council recently revised the UK adaptation of ISA 570 (Revised), which was effective for periods beginning on or after December 15th, 2019. We are of the view that it is important to understand the impact and benefits of these revisions before proceeding with further enhancements or requirements to the international standard on going concern.

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[4] ISA 570 (Revised), *Going Concern*

We note that one of the key issues in the previous revisions to ISA 570 (Revised) was the limitations imposed by the lack of change in what is required of management in relation to its assessment of the appropriateness of the going concern basis of accounting in the preparation of the financial statements and its consideration of whether a material uncertainty that casts significant doubt on the entities ability to continue as a going concern exists. Given that there has been no subsequent progress in this area, it would appear premature to revisit the auditing standard without first contemplating changes in the requirements of financial reporting frameworks. In this regard, we would recommend that stakeholders encourage the International Accounting Standards Board to consider addressing going concern as part of its current work plan.

(b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

(i) For what types of entities or in what circumstances?

(ii) What enhancements are needed?

(iii) Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

We are of the view that the same principles-based procedures should be required for all entities and in all circumstances, and that similar to the audit of accounting estimates, the audit procedures performed are determined by factors such as the methods and models used by management to make its assessment of the entity's ability to continue as a going concern, the subjectivity and complexity of those methods or models and the associated degree of estimation uncertainty. For example, in a large listed entity management may use a complex cash flow forecast to perform its analysis of the entity's ability to continue as a going concern, whilst in a small-owner managed business, the focus may be more on the owners relationship with the bank and the ability to obtain future funding. Such requirements, if correctly applied would likely result in different procedures being performed for private entities, where the users of the financial statements have more regular contact with management or those charged with governance, than for listed entities that likely use more complex forward looking analyses and that are more remote from the users of their financial statements.

We do not believe that it would be appropriate to extend the period for which the assessment of the entity's ability to continue as a going concern is performed. In our view it is not possible for management to make predictions too far in the future; the further away from the balance sheet date or auditor's report date, the less accurate and therefore the less reliable the information. Recent events have only served to reinforce this position, such external factors were beyond an entity's control and most certainly could not have been predicted.

We believe that a new separate engagement type may be appropriate for going concern matters, as this would allow the engagement team to perform deeper procedures for this specific purpose rather than making such procedures part of the financial statement audit. However, we do not believe that such a separate engagement should be generally required. We are of the view that it should be an optional type of engagement that could be performed under certain conditions and circumstances, which local jurisdictions could have the discretion to require should such conditions and circumstances exist. We are also of the view that consideration should be given to the type of opinion that would be appropriate for such an engagement as it may be possible to provide an opinion that is something other than a reasonable assurance opinion or conclusion.

(c) Do you believe more transparency is needed:

(i) About the auditor’s work in relation to going concern in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g., in communications with those charged with governance, in the auditor’s report, etc.)?

We question whether additional disclosures in relation to going concern in an audit of financial statements will have value to the users of the financial statements. As an example, we note that all auditor’s reports in the UK require disclosure of the auditor’s conclusions in relation to going concern, irrespective of whether a material uncertainty that casts significant doubt on the entity’s ability to continue as a going concern has been identified. These disclosures are boilerplate in nature, and we understand are not always read or considered by users of the financial statements.

We recommend that research is performed to understand whether these additional disclosures are of value to users before consideration is given to a similar expansion of disclosures in the international standards.

(ii) About going concern, outside of the auditor’s work relating to going concern? If yes, what further information should be provided, where should this information be provided, and what action is required to put this into effect?

We are of the view that the current interpretations of going concern are misunderstood, in part because of the differing terms and in part because of the expectation gaps as discussed in question 1 above. The going concern concept is confusing given it is a forward-looking statement that is not the main purpose of an audit of financial statements; however, it forms the basis on how many amounts within the financial statements are valued. This is further confused by reporting on material uncertainties that may cast significant doubt on an entity’s ability to continue as a going concern. Additionally, a number of jurisdictions require reporting on the financial health or viability of the entity. The difference between this and the going concern basis of accounting is also not well understood by many within the financial reporting ecosystem.

We are of the view that further education of the users and preparers of the financial statements on the concepts of going concern, financial viability and the respective responsibilities of management or those charged with governance and of the auditor in relation to going concern and financial viability would be helpful. This course of action does not rest solely with the IAASB and would require the input of others such as regulators, member bodies and accounting standard setters in order to reach the targeted stakeholders.

Q4. Are there any other matters the IAASB should consider as it progresses its work on fraud and going concern in an audit of financial statements?

We are of the view that it would be beneficial to consider the following matters as work is progressed on fraud and going concern:

Professional skepticism

With respect to the application of professional skepticism, both in its application in general and more specifically to fraud and going concern matters, using terms such as “enhanced professional skepticism” are not very meaningful. “Enhanced” is subject to interpretation and will not necessarily result in consistent application or even an improvement in overall quality.

Moreover, it suggests that the application of just 'regular' professional skepticism is somehow deficient. The application of professional skepticism and professional judgment is pervasive across all aspects of the audit and will be an important aspect of the IAASB's Audit Evidence Project. In this respect, we believe the IAASB should consider developing meaningful guidance using various scenarios of what professional skepticism is and how it is to be applied. Just adding it into more standards is not helpful or meaningful.

Integration of ISA 240

We are of the view that some of the operational issues related to ISA 240 primarily stem from the fact that it is not integrated with ISA 315 (Revised). Incorporating fraud requirements into the relevant standard(s) to which the requirement relates may provide greater clarity on how it is to be incorporated into a risk assessment process and in the performance of an audit. From the perspective of developing a cohesive and practical audit methodology it is extremely difficult to operationalise ISA 240 in a meaningful way into the risk assessment process.

ISA 570 (Revised)

ISA 570 (Revised) presents a number of challenges for auditors in its application. One of the biggest challenges pertains to auditing management's assessment of the entity's ability to continue as a going concern when management does not perform a formal assessment. This is very common in owner-managed businesses. Further, for many less sophisticated entities, management does not have the knowledge or expertise to do a meaningful analysis and, in some cases, does not understand its responsibilities and the fact that they are required to perform an evaluation of the entity's ability to continue as a going concern before the auditor can complete the required audit procedures under ISA 570 (Revised). There may also be circumstances where management of an entity cannot actually make a reasonable forecast of the required 12-month period. These issues have been exacerbated by the impact of COVID-19 on the performance of audit procedures in this area. It is therefore important to engage others in the financial reporting ecosystem to help drive these necessary improvements.

ISA 805 (Revised) [5]

We are also of the view that consideration should be given to the application of the requirements of ISA 570 (Revised) when reporting on historical financial information other than a complete set of financial statements in accordance with ISA 805 (Revised). Such information is often prepared in accordance with a special purpose framework that has no explicit requirement related to going concern. The evaluation of the appropriateness of the going concern basis of accounting as a 'fundamental principle' in accordance with ISA 570 (Revised) paragraph 4 is then not clear; and ISA 570 (Revised) provides no guidance on this matter. For example, it is common for auditors to report on schedules of project expenses prepared in accordance with the cash basis of accounting (a special purpose framework in many jurisdictions). In such circumstances, many auditors conclude that the going concern basis of accounting is not a 'fundamental principle' because there is no impact on the recognition and measurement of expenses, i.e., the money has been spent, and because the reporting entity is a project, it is unrealistic to assess the going concern of a project. However, Appendix C of ISA 805 (Revised) has an illustrative example (Illustration 2) referring to going concern, which is confusing.

We recognise that the IAASB has previously devoted significant resources on this issue and recommend that consideration is given to performing targeted post implementation research, aimed at stakeholders, such as the National Standard Setters, to understand how this has

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[5] ISA 805 (Revised), *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a financial statement*

been adopted in practice and whether it serves the public interest to require auditors to determine whether the going concern basis of accounting is a ‘fundamental principle’ when the financial reporting framework has no explicit requirement regarding going concern.