

## MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/09/2021

Madrid, 24 March 2021

### **IOSCO Statement on Going Concern Assessments and Disclosures during the COVID-19 Pandemic**

The International Organization of Securities Commissions (IOSCO) is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets and is responsible for the oversight of capital markets and the application and enforcement of accounting standards. In light of current uncertainty resulting from the COVID-19 pandemic, we remain fully committed to the development, consistent application and enforcement of high-quality accounting standards which are of critical importance to the proper functioning of the capital markets—especially in times of uncertainty.

IOSCO's objectives include investor protection, maintaining fair, efficient and transparent markets and seeking to address systemic risks. The application of accounting standards must result in issuers providing clear, relevant and representationally faithful information to allow investors to make informed investment decisions.

The responsibility for developing and maintaining high-quality standards resides with the International Accounting Standards Board (IASB), and we welcome their recent educational material<sup>1</sup> on the topic of going concern disclosures which may be particularly relevant for some companies adversely affected by COVID-19 conditions. In addition to items raised in our previous

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<sup>1</sup> Going Concern: A Focus on Disclosure, available at <https://cdn.ifrs.org/-/media/feature/news/2021/going-concern-jan2021.pdf?la=en>.

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statements,<sup>2</sup> this topic is likely to be relevant for a larger number of public companies for 2020 and 2021 financial reporting periods in many jurisdictions.

### **Implications for the preparation of annual financial statements**

It is important for investors to receive high-quality information about the existence of material uncertainties that may cast significant doubt on an entity's ability to continue as a going concern. As discussed in the education material, it is important for entities to clearly identify uncertainties that cast significant doubt on the entity's ability to continue as a going concern. In addition, when management has determined that material uncertainties do not cast significant doubt on the ability of an entity adversely affected by COVID-19 conditions to continue as a going concern, it is important for investors to receive complete information about the significant judgements that may have been exercised in arriving at management's determination. This is particularly the case in situations where judgments about the ability of management to execute plans to mitigate the effects of material uncertainties are important to the conclusion that there is not significant doubt about the entity's ability to continue as a going concern.

The recent IASB education material provides an overview of disclosures required in various situations. In addition, the education material discusses other overarching financial reporting disclosure requirements such as the need to provide information about the assumptions entities make about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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<sup>2</sup> IOSCO Statement on Application of Accounting Standards during the COVID-19 Outbreak  
<https://www.iosco.org/news/pdf/IOSCONEWS561.pdf>

IOSCO Encourages Issuers' Fair Disclosure about COVID-19 Related Impacts  
<https://www.iosco.org/news/pdf/IOSCONEWS568.pdf>

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### **Implications for the annual audit**

We also believe that external auditors play a key gatekeeper role with their responsibility to evaluate the adequacy of disclosures and assess the appropriateness of management’s judgment about the entity’s ability to continue as a going concern, especially under the current uncertain environment. Auditors are reminded of their responsibilities to report on Key Audit Matters (KAMs), those matters that required significant auditor attention in performing the audit. The current economic environment may result in the inclusion of KAMs regarding going concern, material uncertainties and significant judgments, including a description of how the auditor addressed these matters. In other cases, there may be circumstances for which the auditor concludes that the auditor’s report should contain a separate section under the heading Material Uncertainty Relating to Going Concern. It should also be noted that the auditor should express a qualified opinion or adverse opinion, as appropriate, if adequate disclosure about the material uncertainty is not made in the financial statements. In this regard, we believe the recent IASB education material, together with material previously provided by the International Audit and Assurance Standards Board<sup>3</sup> also provides important information for auditors, as well as audit committees, to consider.

Many securities regulators plan to continue to focus on the enforcement of recognition, measurement and disclosure requirements in accounting standards during these critical times of economic disruption, including going concern disclosures.

In conclusion, IOSCO reminds issuers, audit committees and/or those charged with governance (TCWG), and external auditors of the important role each plays in providing investors with high-quality, reliable, timely, and transparent financial information, especially in times of heightened uncertainty. It is the responsibility of management to develop well-reasoned and supportable

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<sup>3</sup> Going Concern in the Evolving Environment—Audit Considerations for the Impact of COVID-19  
<https://www.ifac.org/system/files/publications/files/IAASB-Staff-Alert-Going-Concern-April-2020.pdf>.

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estimates and provide reliable financial information about the current and potential future effects on the issuer from COVID-19 conditions. Audit committees and/or TCWG are responsible for oversight of the issuer’s financial reporting and the external audit process. And, it remains the responsibility of the external auditor to perform high-quality assurance services in accordance with professional standards on the financial information with which they are associated.

### NOTES TO THE EDITORS

#### About IOSCO

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO’s Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, is the Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members’ views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee’s

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strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

#### 4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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