REPORT ANALYSIS

Exploratory study on addressing going concern in statutory audits

In short - External auditors generally pay serious attention to addressing going concern in statutory audits, as shown by our exploratory study. Our data analysis indicates an upward trend in the number of sections on material uncertainty included in auditor's opinions at audit clients that later went bankrupt. The AFM would like for this upward trend to continue. It is important that external auditors continue to pay adequate attention to the subject and continue to strive to improve professional scepticism. For this reason, we put forward a number of expectations for auditors and audit firms.

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AFM

Summary

Bankruptcies can have a significant impact on all interested parties of a company. The number of bankruptcies has risen further in 2024 and is expected to increase rather than decrease, due to increasingly rapid technological and societal developments. It is thus in the public interest that external auditors gather sufficient and appropriate audit evidence during the statutory audit of financial statements in order to assess whether the going concern assumption applied by executive boards is appropriate. This has not always been the case in the past. Consequently, this has led to extra public attention for going concern in statutory audits.

Going concern is a key subject; raising awareness of going concern is one of the AFM's priorities. This is reason for the AFM to perform an exploratory study in 2025 into the manner in which external auditors take their own responsibility concerning the audit of going concern, as also announced in the AFM Agenda for 2025. To arrive at this exploratory study, we performed both a literature analysis and a data analysis and held 25 interviews with various stakeholders. We did *not* carry out a case-file study.

Based on the interviews conducted, it is our understanding that external auditors generally pay serious attention to the challenges of assessing the appropriateness of the going concern assumption as applied in statutory audits. These challenges, also widely acknowledged across the sector, are complex. As an example, interviewees refer to the *future-focused approach* of the audit evidence; which approach makes it more difficult to assess this evidence. Another example are the rapid and sometimes unforeseeable developments in the outside world.

Data analyses received from audit firms indicate an increase of the number of cases in which sections on material uncertainty have been included in auditor's opinions at audit clients that later went bankrupt. The AFM would like for this upward trend to continue. This does not detract from the fact that there are cases in which external auditors failed to adequately fulfil their responsibility with regard to going concern in statutory audits. Interviewees identified several important causes for this, such as insufficient independence from the audit client, but also a lack of a comprehensive and holistic understanding of the audit client and its environment, resulting in clear red flags being missed. Other reasons mentioned are a confirmation bias, which is the tendency to seek audit evidence that supports assumptions, while discounting evidence that contradicts these assumptions and failing to engage or timely engage experts.

It is for this reason that the AFM considers it important that auditors and audit firms continue to pay adequate attention to the theme of going concern and that they continue to strive to improve professional scepticism. For this, the AFM formulates a number of expectations for auditors and audit firms related to the approach of going concern in statutory audits. This concerns, among other things, the need to have a sound and coherent understanding of the audit client and its environment and the need to maintain professional scepticism at all times. This helps to ensure that external auditors fulfil and continue to fulfil their responsibility and that users of financial statements will be timely warned more often about any impending bankruptcies.

We are moderately optimistic about the outcomes of our exploratory study. The outcomes do not give any reason to conduct an in-depth thematic review at this time. However, we do expect auditors and audit firms to maintain focus on the theme of going concern and that they will comply with the expectations we have set. The AFM will continue to pay attention to this theme by analysing in-house data and external data and by continuing to follow up on signals and incidents.

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1. Introduction

The survival of companies is less assured than it was in the past. The lifespan of companies and their business models is steadily declining. This is partly due to increasingly rapid social, geopolitical and technological developments, climate risks and increasing internationalisation of the business community. The number of bankruptcies of companies is thus expected to increase rather than decrease.[1] Bankruptcies can have a significant impact on all interested parties of a company, such as trading partners, investors and other lenders.

Society thus has a substantial vested interest in external auditors taking their responsibility when it comes to assessing the appropriateness of going concern assumptions applied by executive boards in drawing up the companies' financial statements. Companies' executive boards usually draw up the financial statements on the assumption that the company will be able to continue its activities in the near future, the going concern assumption. External auditors need to obtain sufficient and appropriate audit evidence to assess whether this going concern assumption is appropriate. If external auditors have reasonable doubts about this, additional audit procedures must be performed. Should external auditors, based on this assessment, determine that a material uncertainty exists concerning the company's ability to continue as a going concern, they will have to include a separate section titled '*Material uncertainty related to going concern'*, i.e. the material uncertainty section, in the auditor's opinion.[2] External auditors also have to establish whether the executive board has provided an adequate disclosure in the financial statements with regard to material uncertainty, and with regard to the executive board's plans to address this material uncertainty. If this is not the case, external auditors will have to weigh up the implications of this, and, on that basis, possibly adjust the auditor's opinion or the nature of the auditor's opinion. In the past, external auditors have not always performed these audit procedures properly, such as during the audit of the financial statements of DSB, Eurocommerce and Imtech. This has led to extra public attention for the ways in which external auditors deal with going concern in statutory audits.

Going concern is a key subject and raising awareness of going concern is one of the AFM's priorities. This was reason for the AFM to perform an exploratory study into external auditors' procedures with regard to going concern in statutory audits in 2025. This exploratory study was previously announced in the AFM Agenda for 2025. We performed a literature review and a data analysis and held 25 interviews with different stakeholders in order to gain insight into the manner in which external auditors take their responsibility when it comes to going concern in statutory audits. We did *not* carry out a case-file study.

Based on the interviews conducted, it is our understanding that external auditors generally pay serious attention to the challenges of assessing the appropriateness of the going concern assumption as applied in statutory audits. In statutory audits, external auditors face a number of specific and complex challenges in assessing the appropriateness of the going concern assumption: audit evidence is focused on the future, making that information difficult to assess, the outside world is rapidly developing and sometimes in a manner that cannot be foreseen, executive boards have driving factors to present the future of the company in a more favourable light, and the audits may reveal that the company's ability to continue as a going concern is dependent on finance providers.

Data analyses received from audit firms indicate an increase of the number of cases in which sections on material uncertainty have been included in auditor's opinions at audit clients that later went bankrupt. The AFM would like for this upward trend to continue. This does not detract from the fact that there are

1 Also more specific reasons may affect the expected number of bankruptcies; Rabobank, 2025.
2 NV COS 570.22

cases in which external auditors failed to adequately fulfil their responsibility with regard to going concern in statutory audits. Interviewees identified a number of important causes for this:

- Insufficient independence from the audit client;
- A lack of a comprehensive and holistic understanding of the audit client and its environment, resulting in clear red flags being missed;
- A confirmation bias, the tendency to seek audit evidence that supports assumptions, while discounting evidence that contradicts these assumptions;
- Failing to engage or timely engage experts.

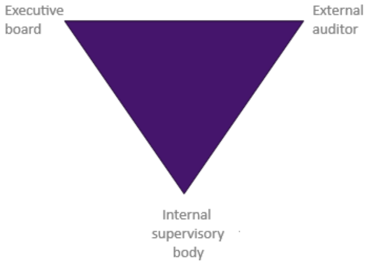
Based on our exploratory study, we provide the sector with a number of expectations in addressing going concern in statutory audits. Our aim is to maintain sustained attention to the theme of going concern and for the sector to continue to strive to improve professional scepticism. This concerns, among other things, the need to have a sound and coherent understanding of the audit client and its environment, and to at all times maintain professional scepticism. The AFM's expectations help auditors and audit firms identify events and circumstances that could cast reasonable doubt on the company's ability to continue as a going concern and to follow up on this in statutory audits. It may lead to more cases in which external auditors include a material uncertainty section about going concern in the auditor's opinion. The material uncertainty section includes a reference to the executive board's disclosure on the material uncertainties. By including this section, users of financial statements receive timely information about the possibility that a company may cease to exist in the near future and may be unable to meet its obligations. Users can take this into account in their decision-making. Taking these expectations from the AFM into account can further improve the quality of statutory audits.

2. The reporting ecosystem and relevant legislation and regulations

2.1 External auditors have an important responsibility

Within the reporting ecosystem, we distinguish between the responsibilities of the executive board, the internal supervisory body and the external auditor (Figure 1). In a general sense, the reporting ecosystem describes the responsibilities of the various parties involved in the preparation of the financial statements and how to ensure the quality thereof. This chapter zooms in on going concern.

Figure 1: The reporting ecosystem



A company's executive board is primarily responsible for the assessment of the going concern assumption for the benefit of drawing up the financial statements (NV COS 570.3-5; IAS 1). Executive boards usually draw up the financial statements on the assumption that the company will be able to continue its operations in the near future (Book 2, Section 384(3) of the Dutch Civil Code). This is also referred to as the going concern assumption. It is up to the executive boards to assess the going concern assumption. In case of doubt about going concern, it may be expected that executive boards prepare and evaluate different scenarios in order to assess whether the going concern assumption is appropriate. These scenarios, accompanied by any mitigating plans, are also presented to the external auditor. It is important that executive boards include a transparent and clear disclosure in the financial statements on any material going concern risks they acknowledge.[3] This disclosure is also of added value for the public interest.[4]

A company's internal supervisory body, such as the supervisory board or the audit committee, safeguards solid reporting. The internal supervisory body does so by supervising the executive board. In doing so, it also ensures that the executive board's application of the going concern assumption is appropriate. The internal supervisory body is responsible for advising and assisting the executive board whenever doubts arise regarding the company's ability to continue as a going concern. It should also ask critical questions when in doubt about the appropriateness of the going concern assumption, but where the executive board has no doubts about this. The internal supervisory body may be expected to critically assess the scenarios proposed by the executive board and to weigh up the proposed possible alternatives. It meets with the external auditor as often as it deems necessary.

External auditors have to perform audit procedures which, under the given circumstances, are appropriate in order to obtain sufficient and appropriate audit evidence to form an opinion on. By performing statutory audits of financial statements and issuing an opinion on them, external auditors

[3] Even if there are concerns about going concern, but no material uncertainty, executive boards must provide a disclosure in the financial statements on the going concern assumption applied if necessary for the required insight (RJ 110.129 and 135.203). Executive boards of publicly listed companies have to include a clear and substantiated statement in the management report stating (a) that, in light of the current situation, it is appropriate for the financial statements to be prepared on a going concern basis and (b) the management report lists those material risks and uncertainties relevant to the matter of the company's going concern for a period of twelve months after having drawn up the report (BP 1.4.3 CGC).
[4] See, for example, Myers, Schmidt & Wilkins, 2014; Wang, 2022.

take up a position of trust in society. External auditors are responsible for assessing the executive board's going concern assumption as part of the audit procedures, for which external auditors have to perform audit procedures which, under the circumstances, are appropriate in order to obtain sufficient and appropriate audit evidence (NV COS 570.6). In this performance, external auditors must take an active approach and exercise professional scepticism.[5]

If external auditors have reasonable doubts about the going concern of a company, additional audit procedures must be performed (NV COS 570.16). First of all, the external auditor has to request the executive board to make an assessment of the company's ability to continue as a going concern, insofar as the executive board has not yet done so. Second, the external auditor needs to assess the executive board's plans. This relates to plans aimed at ensuring the company's ability to maintain its going concern status. It is up to the external auditor to assess whether the plans can improve the situation and also whether the plans are feasible in the given circumstances. Finally, the external auditor must evaluate the cash flow forecasts prepared by the executive board. In order to do so, the external auditor has to assess whether data used to arrive at these plans are reliable, among other things, and whether the executive board can provide adequate support for the assumptions underlying the forecasts.[6]

Should external auditors, based on this assessment, determine that a material uncertainty exists concerning the company's ability to continue as a going concern, they will have to include in the auditor's opinion a separate section titled 'material uncertainty related to going concern', i.e. the material uncertainty section, NV COS 570.22. The external auditor's material uncertainty section serves as a signalling function for the public. In doing so, the external auditor highlights that the company is experiencing financial difficulties and may potentially cease operations in the near future.[7] The external auditor therefore shares these findings with the internal supervisory body (Book 2, Section393(4) of the Dutch Civil Code; NV COS 570.25). Furthermore, external auditors have to establish whether the executive board has provided an adequate disclosure in the financial statements concerning the material uncertainty, and of the executive board's plans to address this material uncertainty (NV COS 570.19).[8]

If, contrary to the executive board, the external auditor concludes that discontinuity is inevitable, the external auditor must issue an adverse opinion. If, in such a situation, the executive board does not abandon the going concern assumption and does not measure the company's assets and liabilities on a liquidation basis, and fails to describe the effects thereof in the disclosure, i.e. Book 2, Section 384(3) of the Dutch Civil Code; RJ 170, the external auditor is required to issue an adverse auditor's opinion on the financial statements (NV COS 570.21).

There have been cases in the past in which external auditors have failed to adequately fulfil their responsibility with regard to going concern in statutory audits. In those cases, external auditors, for example, (a) failed to pay adequate attention to the going concern risks of the company's business operations (DSB)[9], (b) did not gather sufficient and appropriate audit evidence to assess the going concern assumption (Eurocommerce)[10] or (c) neglected to establish that the executive board's disclosure regarding the going concern assumption in the 2012 financial statements was inadequate (Imtech)[11]. As a result of these shortcomings, the external auditors involved may have failed to recognise that they should

[5] Zettler & Pheijffer, 2018; Brink-van der Meer, 2021.
[6] Zettler & Pheijffer, 2018; Brink-van der Meer, 2021.
[7] See, for example, Chen & Church, 1996; Bérard, Brousseau & Vanstraelen, 2019; Hofmann, Pott & Quick, 2024; Routledge, 2025.
[8] Even when there is reasonable doubt about the company's going concern, the financial statements continue to be prepared under the going concern assumption (Book 2, Section 384(3) of the Dutch Civil Code; RJ 170 (Dutch Accounting Standards Board guidelines for annual reporting 170).
[9] CBb 18 November 2015, ECLI:NL:CBB:2015:362, section 2.10.3.
[10] AK 30 November 2015, ECLI:NL:TACAKN:2015:147, section 4.17-4.18.
[11] CBb 26 September 2023, ECLI:NL:CBB:2023:534, section 10.1.4.11.

have included a material uncertainty section in the auditor's opinion (DSB and Eurocommerce), or, incorrectly, allowed the executive board to state, incorrectly and misleadingly, in the notes to the financial statements that it had sufficiently certain plans enabling the company to maintain its going concern status, even if the expected performance and cash flow developments were to fall short (Imtech). These companies have all since been declared bankrupt. In other countries too, it appears that external auditors were lacking in judgment when auditing the financial statements of companies that were declared bankrupt shortly afterwards.[12] This has put pressure on public confidence in external auditors. Different committees have been set up both in the Netherlands and abroad to examine why statutory audits by external auditors are not always effective. Examples of such committees are the Committee on the Future of the Audit Sector (Commissie Toekomst Accountancysector, or CTA) (the Netherlands), Coordinators for the Future of the Audit Sector (the Netherlands), and Sir Bydon (UK). Among other things, these reviews showed that more attention needs to be paid to how external auditors deal with going concern in statutory audits.[13]

2.2 Relevant standards on auditing to be adjusted

The standards on auditing for going concern have been strengthened. This helps to provide stakeholders with improved information regarding companies' going concern. At an international level, Auditing Standard 570 (ISA 570 Going Concern) addresses audit procedures concerning going concern. Recently, the International Auditing and Assurance Standards Board (IAASB) scrutinised and adjusted this standard.[14] In this context, the requirements have, among other things, been strengthened and clarified concerning procedures for risk assessment and the evaluation of executive boards' going concern assumptions.[15] In order to assess going concern, external auditors have to focus on a twelve-month period from the date of the auditor's opinion. The new auditing standard applies to audits of financial statements for financial years beginning on or after 15 December 2026. These adjustments are expected to also be introduced in Dutch standards 570 and 700 (NV COS 570 and 700).

[12] Audit Reform Lab, 2024.
[13] Committee on the Future of the Audit Sector, 2020; The Coordinators for the Future of the Audit Sector [*Kwartiermakers toekomst accountancy*], 2023, Brydon, 2019.
[14] IAASB, 2025.
[15] Additional requirements have been introduced in the revised standard with regard to the audit of financial statements of publicly listed entities in cases where the executive board concludes on the basis of significant judgement that there is no material uncertainty concerning going concern. The notes to the financial statements should now, for example, include a reference to the relevant disclosure, specifying how the external auditor has assessed the executive board's evaluation of the going concern assumption.

3. Research design and outcomes

3.1 Literature research and interviews

The AFM is conducting an exploratory study into the ways in which external auditors deal with going concern in statutory audits, as announced in the AFM Agenda for 2025.[16] The manner in which external auditors take their responsibility when it comes to going concern in statutory audits has been thoroughly reviewed. Literature distinguishes between two types of 'errors' (type 1 and type 2).[17] Literature refers to a type-one error in situations where external auditors include a material uncertainty section in the auditor's opinion, but the company in question does not go bankrupt.[18] A reason for this may be that the external auditor is overly cautious in relation to potential liability in the event of bankruptcy.[19] Literature refers to a type-two error in situations where external auditors wrongfully failed to include a material uncertainty section in the auditor's opinion. According to literature, there are different explanations for this, including a lack of independence from the audit client, not having a clear overview of the audit client and its environment and a suboptimal composition of the audit team.[20] While not described as an error in literature, it may also be that external auditors do in fact include a material uncertainty section in the auditor's opinion of a company that goes bankrupt shortly after, however, they failed to adequately substantiate this with sufficient and appropriate audit evidence. In this situation, an auditor's opinion other than an unqualified opinion with a material uncertainty section might have been more appropriate, such as a disclaimer of opinion or an adverse opinion. A different and more appropriate auditor's opinion would have sent a stronger signal to the public.

Twenty-five interviews have been conducted with various concerned parties and an analysis was performed on the data received from audit firms. The interviewees included external auditors of different audit firms, members of the Royal Netherlands Institute of Chartered Accountants' working group on going concern, investors and investor associations, receivers, banks, scientists and other national and international supervisory authorities. This allows the research topic to be examined from multiple perspectives. The data analysis was performed on the data submitted to us by audit firms on statutory audits performed in the period between 2021 and 2024 at entities that went bankrupt during that period. The Appendix has more details on the research method and other findings.

3.2 Outcomes

External auditors face four challenges in performing audit procedures relating to going concern.

The interviews show that external auditors face several challenges when performing audit procedures related to going concern. These are:

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[16] AFM, 2024.
[17] See, for example, Carson, Fargher, Geiger, Lennox, Raghunandan & Willekens, 2013; Geiger, Gold & Wallage, 2021; Bosman, van der Kuip & Janssen, 2021.
[18] The question remains whether a type-one error can be marked as an error, given that the inclusion of a material uncertainty section serves as a warning signal and does not serve to predict bankruptcies.
[19] See, for example, Kaplan & Williams, 2013; Geiger et al., 2021; Eutsler, Nickell & Rob, 2016.
[20] See, for example, Geiger et al., 2021; Dhaliwal, Lamoreaux, Lennox & Mauler, 2015; Read & Yezegel, 2016; Geiger et al. 2024a.

1. **The audit evidence needed to be able to assess the going concern assumption is aimed at the future.** Future-oriented information is complex information to assess as this requires a different mindset from external auditors.
2. **The outside world is complicated and rapidly evolving, sometimes also in a manner that cannot be foreseen by external auditors.** A comprehensive and holistic understanding of the audit client and its environment is essential. However, external auditors do not have a 'crystal ball' to see what the future holds. Unexpected developments may occur at any time in the audit client's environment that could have a major impact on going concern.[21]
3. **Executive boards are inclined to present the future of the company in a more favourable light and withhold information from the public.** Future-oriented information is based on estimates and assumptions. Executive boards may tend to present this information in a more favourable light, for example to avoid external auditors from including a material uncertainty section in the auditor's opinion. Also, executive boards may stall the publication of financial reporting or cease sharing and filing financial information altogether when a company is in distress.[22] The interviews create the impression that the companies' filing obligations in the Netherlands are enforced only to a minimum, resulting in hardly any consequences for executive boards.
4. **Statutory audits may be delayed due to dependence on finance providers** Where companies rely on external financing to sustain their operations, external auditors are required to estimate whether such financing will be maintained. External auditors need a statement from the finance provider, a waiver. Before finance providers can issue such a waiver, they need the audited financial statements. The external auditor and the finance provider are, as it were, dependent on each other. Consequently, they wait for each other and there can be significant delays in the statutory audit.

Auditor's opinions do not always contain information about a possible impending bankruptcy

The general view from interviews is that external auditors generally pay serious attention to addressing going concern in statutory audits. The interviews also provide the view that audit firms take action to support external auditors in addressing going concern. They do so, for example, by setting up proceedings[23] in case of reasonable doubt concerning going concern, and discussing cases in plenary sessions to raise awareness of signs that indicate going concern issues.

Our data, however, show that external auditors have not always included a material uncertainty section in auditor's opinions. External auditors included a material uncertainty section in the final auditor's opinion in 46% of the statutory audits for audit clients that subsequently went bankrupt. We base this on data on statutory audits covering the period between 2021 and 2024 which audit firms have shared with us. Were we to limit ourselves to those cases in which the final auditor's opinion was issued within the year prior to the bankruptcy, external auditors included a material uncertainty section in the final auditor's opinion in 60% of the statutory audits for audit clients that subsequently went bankrupt. This seems to indicate an upward trend. A study among Dutch audit firms in the period between 2012 and 2020 namely shows that in 37% of the cases a going concern section had been included in the auditor's opinion during the statutory audit in the year preceding the bankruptcy.[24]

In a substantial number of cases (40%), based on our data, there does not appear to be a material uncertainty section included in auditor's opinions issued within the year prior to the bankruptcy. There are a number of possible reasons for this. One of the reasons may be that the external auditor did not do

[21] See, for example, Francis, 2024.
[22] See, for example, Bosman et al., 2021; Geiger, Gold & Wallage, 2024a.
[23] One example is a consultation procedure stipulating that consultations on going concern are at all times required, unless certain conditions have been met.
[24] Bosman et al. (2021) Bankruptcy and auditor's reporting in the Netherlands.

his job properly. There are also other possible reasons for the lack of a material uncertainty section in auditor's opinions of companies that go bankrupt shortly afterwards. For example, the external auditor is not a predictor of bankruptcies and the cause of the bankruptcy may lie in unforeseeable events and circumstances that arose after the auditor's opinion was issued. Furthermore, a reason for the lack of a material uncertainty section may be that the company's management did not provide relevant information to the external auditor in order to present the future in a more favourable light.

Nor do auditor's opinions always contain any signs of a possible impending bankruptcy in those cases in which external auditors did *not* include a material uncertainty section. In approximately 70% of cases where the external auditor has not included a material uncertainty section, the scope of the opinion is unqualified. In cases where the external auditor opts for a disclaimer of opinion or a qualified opinion, we see that less than 25% of these cases are due to going concern issues.

There are four possible reasons for shortcomings in the audit of going concern

Interviewees also point out cases in which external auditors failed to properly fulfil their responsibilities and where there are clear opportunities for improvement. Based on the interviews, we identify four reasons why external auditors do not adequately address issues relating to going concern. These are:

1. The external auditor does not maintain sufficient independence from the audit client;
2. The external auditor lacks a comprehensive and holistic understanding of the audit client and its environment, resulting in clear red flags being missed;
3. The external auditor has a confirmation bias;
4. The external auditor fails to consult specialists or consults them too late, and fails to engage specialists or fails to do so in a timely manner.

1. External auditors do not maintain sufficient independence from the audit client. External auditors do not always maintain sufficient independence from the audit client as a result of which they neglect to exercise sufficient professional scepticism when assessing the forecasts, mitigating plans and the executive board's disclosure.[25] Interviewees indicate that this may occur if the external auditors have been auditing the client for a longer period of time. Although rotation requirements are in place for public interest entities (PIEs), they do not apply to other companies. Particularly smaller unlisted companies rely heavily on external auditors and their knowledge, possibly making it more challenging for external auditors to keep sufficient distance from the audit client.[26]

2. A lack of a comprehensive and holistic understanding of the audit client and its environment results in external auditors missing clear red flags. External auditors sometimes lack the necessary broad perspective on the audit client's business model, its environment, and the wider market conditions to adequately identify going concern risks facing the audit client. This is all the more pressing now that the outside world is becoming increasingly complex and subject to rapid change. External auditors may also sometimes be too focused on file documentation and ticking off checklists, causing clear red flags to be missed.

3. External auditors have a confirmation bias. External auditors have the tendency to seek audit evidence that supports assumptions, while discounting evidence that contradicts these assumptions, i.e. confirmation bias. As a result, conflicting evidence is not sufficiently taken into account in the opinion of external auditors, and external auditors are more inclined to issue an unqualified auditor's opinion without a material uncertainty section, or an unqualified auditor's opinion with such a section, without

[25] Scientific studies are less conclusive on this matter. For example, Feng & Li (2014), Reynolds & Francis (2000), Hossain, Coulton & Wang (2023) and Van Nieuw Amerongen & van Pareren (2019) find no effect or a positive effect: a shorter distance to the audit client often leads to more critical activities based on going concern. Read & Yezegel (2016), on the other hand, find a negative effect.
[26] See, for example, Read & Yezegel, 2016.

considering whether a disclaimer of opinion or an adverse opinion would have been more appropriate. Literature also refers to confirmation bias as the cause of type-two errors.[27]

4. External auditors fail to consult specialists or consult them too late, and fail to engage specialists or fail to do so in a timely manner. Going concern issues and financing issues can be complex. It is important for external auditors to consult at an early stage in the audit process, and not just at the end of the statutory audit, and, where necessary, to involve technical specialists and/or specialists in the field of business recovery or financing.[28] Specialists can be affiliated both in-house and externally with the audit firm, SRA Professional Practice for example. Timely consultation and engagement of specialists allows for a better assessment of whether the executive board's forecasts and mitigation plans are realistic and feasible in the given circumstances, and which auditor's opinion is suitable based on the audit evidence obtained. This helps ensure that there are no unforeseen issues at the end of the statutory audit. In some cases, a private composition is concluded to allow the company to restart under the Court Approval of a Private Composition (Prevention of Insolvency) Act (Whoa). [29] In such cases, it may also be useful to engage specialists, but this is not always done.

[27] See, for example, Trotman & Sng, 1989; Geiger et al., 2024a. This may be reinforced by a self-serving bias whereby external auditors' own assessments are heavily influenced by assessments of the audit client's executive board (Bazerman, Loewenstein & Moore, 2002).
[28] Geiger et al., 2024a.
[29] The Court Approval of a Private Composition (Prevention of Insolvency) Act (Whoa) aims to prevent an impending bankruptcy of a company with sound business operations by helping it to reorganise itself (Rechtspraak, 2025).

4. Expectations and role of the AFM

4.1 The AFM's expectations with regard to auditors and audit firms

The theme of going concern continues to be an important topic. Our exploratory study shows that external auditors generally pay serious attention to addressing going concern in statutory audits. Also, analysis of data received from audit firms indicates an upward trend in the number of material uncertainty sections included in auditor's opinions at audit clients that later went bankrupt. Nevertheless, maintaining a focus on going concern in statutory audits remains essential. Social impact of a bankruptcy could be considerable and it is relevant for stakeholders to be timely informed about any material uncertainties concerning going concern in the auditor's opinion. In addition, these uncertainties could occur more frequently in the future, due to the ever-faster and ongoing technological and societal developments. Given past examples of the significant societal impact of bankruptcy, the AFM expects auditors and audit firms to be vigilant and to continue to be vigilant when it comes to the theme of going concern in statutory audits.

For this reason the AFM has formulated five expectations for external auditors. Based on interviews, four causes have been identified as to why external auditors sometimes fail to adequately fulfil their responsibility with regard to going concern. Partly based on these causes, the AFM has formulated five expectations for external auditors. The AFM expects external auditors...:

1. **... to have a clear understanding of their audit client, its environment and any factors relevant for the going concern of the company (NV COS 570.10, 570.11 and 315).** In this context, external auditors need to pay particular attention to factors that could pose a risk for the going concern of the company, not only at the start of the statutory audit, but also on a continuous basis during the performance of the audit. This also implies that external auditors should take care to avoid simply ticking off checklists. We recommend external auditors to take note of the interactive guide to risk analysis developed by the workgroup on going concern of the Royal Netherlands Institute of Chartered Accountants (NBA).[30]
2. **... to maintain professional scepticism.** External auditors need to maintain professional scepticism not only when performing risk assessment procedures, but also in the performance of additional audit procedures if there is reasonable doubt as to whether a company is able to continue on a going concern basis. External auditors should critically assess whether executive boards have properly substantiated the going concern assumption, the forecasts and the mitigating plans[31], even if these executive boards have recognised any material uncertainties or whether they have engaged specialists by their own accord. This requires critical questions and reflection, reasoning gross rather than net, for example, by not concluding that obtaining a bank waiver therefore eliminates the going concern risk as this does not eliminate the underlying causes of the going concern issues, and being aware of (1) the potential tendency of executive boards to present matters in an overly optimistic manner, (2) conflicting reasoning and (3) other conflicting audit evidence. Where necessary, external auditors need to engage specialists in a timely manner.
3. **... to be aware of the range of auditor's opinions available to them.** Instead of working towards an unqualified opinion in a default manner, an unqualified opinion with a material uncertainty section, a disclaimer of opinion or an adverse opinion may be more appropriate.

[30] NBA, 2024a.
[31] For example, external auditors have to take a critical look at the reliability of data used to draw up forecasts, and the assumptions underlying them.

4. **... to inform their audit clients of the obligation to file the financial statements with the Commercial Register of the Chamber of Commerce.** In the years preceding a bankruptcy, there are only few cases in which financial statements accompanied by an auditor's opinion were filed with the Chamber of Commerce. The public must be informed in good time if there are any material uncertainties about a company's going concern status.
5. **... to not deliberately delay the issue of an auditor's opinion purely to ease uncertainty about the company's future.** Audits can sometimes take a long time when there are reasonable doubts about the appropriateness of the going concern assumption. Interviews show that external auditors sometimes do this to reduce uncertainty and therefore decide to delay the issue of an auditor's opinion.

The AFM has also formulated expectations for audit firms to help external auditors in addressing the themes of going concern in statutory audits. The AFM expects audit firms...:

1. **... to ensure that procedures and guidelines are in place to identify events and circumstances that could raise reasonable doubts about going concern in a timely manner and to follow up on them**. This includes, but is not limited to drawing guidelines for in-house and external consultations, offering training courses that focus on the development of a broad perspective and timely recognition of signals and red flags, organising learning sessions, sharing both good practices and bad practices and centrally monitoring client risks.
2. **... to focus on conduct and culture.** This includes, but is not limited to promoting professional scepticism and a broad perspective and learning from past mistakes.

4.2 The AFM continues to focus on going concern

The AFM is moderately optimistic about the outcomes of this exploratory study. We conducted this exploratory study to identify whether there is a problem in the sector when it comes to the manner in which external auditors take their responsibility with regard to going concern in statutory audits. Our exploratory study shows that external auditors are generally serious about the fulfilment of this responsibility and that data analysis received from audit firms indicate an upward trend in the number of material uncertainty sections included in auditor's opinions at audit clients that later went bankrupt. That said, it is and will continue to be important to keep working on strengthening the professional scepticism regarding the theme of going concern. It is for this reason that the AFM has formulated expectations for auditors and audit firms with regard to the theme of going concern in statutory audits. Furthermore, also the international audit standards for going concern have been defined more clearly.

The AFM will continue to focus on going concern in the future. Our exploratory study does not give any reason to conduct an in-depth thematic study at this time. However, we do expect auditors and audit firms to maintain focus on the theme of going concern and that they will comply with the expectations we have set. We will also continue to pay attention to this subject ourselves. We will do so by means of analyses of external data and data which we receive from audit firms, amongst other things. As part of our supervision, we remain attentive to macroeconomic conditions that may warrant an increased focus on going concern. We will also continue to follow up on signals and incidents in the area of going concern.

5. Appendix: Research method and other findings

The aim of the exploratory study: the aim of our exploratory study is to examine how external auditors currently fulfil their responsibility with regard to going concern in statutory audits. Our exploratory study does not focus on the reporting aspects related to this.

Methodology: literature analysis, interviews and data analysis. We did *not* carry out a case-file study.

Literature analysis: Our analysis is primarily based on two literature reviews (Carson et al., 2013; Geiger et al., 2021). We supplemented the literature analysis with various other relevant scientific items, specialist publications, and other relevant reports.

Structure of the interviews: the interviews were set up in four parts: the problem (is there a problem concerning the audit of going concern, and if so, what problem is this?), the causes of the problem, the external auditor's responsibility and the AFM's role. The interviews were conducted online and took approximately one hour.

Overview of the background of the interviewees: sometimes we interviewed more than one person from one organisation.

Background	Number of interviews (number of persons interviewed)
External auditors, some of whom have expertise in the field of going concern	7 (9)
Companies	2 (2)
Banks	1 (2)
Investors and investor associations	2 (4)
Receivers	1 (1)
Education	1 (1)
Science	3 (5)
Other national and international supervisory authorities	3 (6)
Standard setter	1 (1)
Young profs	1 (3)
Interviews with AFM employees	3 (3)

Data analysis: The data analysis was carried out using data of 22,633 statutory audits performed by non-PIE audit firms and 15,595 statutory audits performed by PIE audit firms in the period from 2021 up to and including 2024. We received data from audit firms on statutory audits of a total of 50 audited entities that went bankrupt during this period. In reality, more entities subject to a statutory audit obligation could have gone bankrupt in this period, given that many entities no longer file any figures prior to a bankruptcy and no statutory audits are performed anymore in many cases. See, for example Bosman et al., 2021. We were therefore unable to include these entities in our analysis.

Other outcomes: in addition to the main outcomes, we also share a number of different interesting outcomes:

- **Almost all interviewees do not recognise type-one errors and wonder whether these should be classified as errors.** A type-one error refers to situations where external auditors include a material uncertainty section in the auditor's opinion, but the company in question does not go bankrupt. Interviewees believe that such sections may only be included if there is genuine reason to do so. This is in line with previous findings in literature (Geiger et al., 2024b). Moreover, they wonder whether a type-one error is in fact an error, given that the inclusion of a material uncertainty section serves as a warning signal and it does not serve to predict bankruptcies.

- **Most interviewees indicate that they are up to date on the responsibility of external auditors when it concerns the audit of going concern.** An expectation gap refers to differing expectations regarding the work of external auditors: the public expects more or different procedures from the auditors than they in fact carry out. Interviewees indicated that they were well informed about the work of auditors and that there is no such gap in expectations. This is contrary to the findings of the study by the Committee on the Future of the Audit Sector (2020) (Commissie Toekomst Accountancysector, or CTA) which did confirm the existence of an expectation gap. This could be due to the fact that, for our exploratory study, we selected interviewees with a particular familiarity with the topic, or because an expectation gap may simply not exist.[32]
- **A limited number of interviewees indicate that the public may have the wrong idea of the validity of auditor's opinions.** Users expect that the material uncertainty section serves as a warning that is valid for twelve months of the auditor's opinion having been issued. The proposed amendments to ISA 570 (and therefore also NV COS 700) confirm this.
- **A number of interviewees advocate the implementation of a resilience statement or a statement of viability.** In a resilience statement, executive boards provide an assessment of the risks to the company's continued existence and its business model over the short-term, medium-term, and long-term horizons.[33] In a company's viability statement, the external auditor is asked to provide an opinion on this. Taking a position on this is beyond the scope of the present study.
- **Opinions differ on the quality and the informational value of the reporting on going concern by external auditors.** A number of respondents found the material uncertainty section to be informative enough, while other respondents referred to it as 'boilerplate' and wished for more client-specific information. In addition, several interviewees raised the added value of the auditor's reporting on going concern in the auditor's opinion, which has been mandatory since the 2022 financial year. Some interviewees consider this additional explanation of the work performed by the external auditor to be helpful. They see it as a way to demonstrate accountability. At the same time, though, there are a number of interviewees who believe that it creates confusion among users, especially with regard to those companies that operate internationally and where stakeholders are not always aware of this specific Dutch rule.[34] This could possibly be due to the wide variety in the way in which companies substantiate their going concern assumption.[35] Taking a position on the value and necessity of this passage in the auditor's opinion made mandatory as of 2022 is beyond the scope of present study.[36]
- **Some interviewees suggested that, in their view, instances of going concern issues sometimes stem from fraud**. According to these interviewees, one of the reasons why it is difficult for external auditors to see going concern risks is because it results from a fraud that has not yet been detected. One of the interviewees, for example, indicates that fraud may sometimes be committed to cover up deeper, underlying causes which may give rise to concerns about going

[32] Also see, for example, Pheijffer, 2020.
[33] Brydon, 2019.
[34] The Royal Netherlands Institute of Chartered Accountants (2024b) concludes that client-specific descriptions are applied to a limited extent in the passage in the auditor's opinion made mandatory since 2022 concerning going concern, and that this passage makes frequent use of sample texts of the Royal Netherlands Institute of Chartered Accountants.
[35] Brouwer, van der Reijden & Meijn, 2024.
[36] At present, the Royal Netherlands Institute of Chartered Accountants is assessing the reporting obligation on fraud and going concern in the auditor's opinion (Royal Netherlands Institute of Chartered Accountants (NBA), 2025).

concern. However, research shows that the likelihood of external auditors being reprimanded is higher when fraud is involved in relation to going concern issues.[37] Our exploratory study did not examine the relationship between fraud and going concern in further detail.

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