



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

August 24, 2023

International Auditing and Assurance Standards Board

529 Fifth Avenue
New York, New York 10017
United States of America

Re: Exposure Draft - Proposed International Standard on Auditing 570 (Revised) Going Concern

Thank you for the opportunity to provide feedback on the above Exposure Draft. I am responding on behalf of the Office of the Auditor General of Canada.

Our response to the specific questions posed in the Exposure Draft is provided below. Responses may be limited to questions of relevance to our Office and public sector audit.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Heather Miller', with a long horizontal flourish extending to the right.

Heather Miller, CPA, CMA
Assistant Auditor General

240 Sparks Street
Ottawa, Ontario K1A 0G6

Specific questions posed by IAASB:

Question 1

Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in **Appendix 1**?

Yes, we agree the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1.

Question 2

Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?

Yes, we believe the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

Question 3

Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?

Yes, we believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities.

Question 4

Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?

Yes, the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern.

Question 5

Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase “may cast significant doubt”?

Yes, we support the definition of Material Uncertainty (Related to Going Concern), including the application material to the definition clarifying the phrase “may cast significant doubt”.

Question 6

Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern?

Yes, ED-570 appropriately builds on the foundational requirements in ISA 315 in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

Question 7

Do you support the change in the commencement date of the twelve-month period of management’s assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?

No, we do not support the change in the commencement date of the twelve-month period of management’s assessment of going concern, from the date of the financial statements to the date of approval of the financial statements.

The IAASB’s project proposal for the revision of ISA 570 raises the issue of inconsistencies across financial reporting frameworks in the commencement date. As part of its project proposal, the IAASB gathered input and views from stakeholders who noted in considering the period of assessment, the requirements of the applicable financial reporting framework needs to be taken into account. While the proposed commencement date in ED-570 would create a consistent 12 month period for all audit engagements, it still does not align accounting framework requirements. Auditors may now be in a position of having to request management extend their assessment longer than is required by the applicable accounting framework,

however management's criteria for the financial statements comes from an accounting framework, not an ISA.

We would prefer that each accounting framework, which are the criteria for the audit, to include explicit requirements for the preparation of management's going concern assessment, including a consistent commencement date.

Question 8

Do you support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern?

No, we do not support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

ED-570 indirectly proposes a requirement on preparers to create a going concern assessment, however preparers are responsible for preparation of the financial statements in accordance with their applicable reporting framework, not ISA 570. We therefore prefer that each accounting framework include explicit requirements for the preparation of management's going concern assessment, where relevant.

Question 9

Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?

Yes, ED-570 appropriately incorporates the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern.

Question 10

Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?

Yes, we support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support.

We believe the application material can be further expanded to include more flexibility and/or provide further clarification for public sector entities dependent on annual funding. In Federal public sector entities, management's plans for future actions typically include financial resources approved through an annual funding process.

The timing of the annual approval of these financial resources may differ from the 12-month going concern assessment period, and therefore it may be difficult to evaluate if necessary financial support is in place. This is because many Federal public sector entities have a year-end of March 31 and typically have their annual funding approved closer to, but after the start of the next fiscal year. For example, if the March 31, 20X0 financial statements are approved on June 30, 20X0, and funding approved is for the period April 1 20X0 to March 31 20X1, then management's going concern assessment will only include approved financial resources for 9 months at which point the funding will lapse. Therefore, this leaves a gap in management's going concern analysis of 3 months.

Question 11

Will the enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern? .

Yes, the enhanced requirements and application material to communicate with TCWG will encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern.

Question 12

Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?

Yes, we support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting.

Question 13

This question relates to the implications for the auditor's report **for audits of financial statements of all entities**, i.e., to communicate in a separate section in the auditor's report, under the heading "Going Concern" or "Material Uncertainty Related to Going Concern", explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty has been identified.

Do you support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor's reports globally?

Yes, we support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern, and we agree they provide useful information for intended users of the audited financial statements.

However, we believe the new requirements and application materials added could be improved to align with requirements in ISA 710 - *The Auditor's Responsibilities Relating to Other Information* and communicate that the auditor's communication on management's use of the going concern basis of accounting is not a separate opinion within the auditor's report. This serves to enhance transparency about the auditor's responsibilities and work relating to going concern, while also maintaining greater consistency with other sections in the auditor's report.

Yes, the proposals will enable greater consistency and comparability across auditor's reports globally, however, this is dependent on jurisdictions, who have already implemented changes to their national equivalent going concern standards, adopting the revised standard.

Question 14

This question relates to the additional implications for the auditor's report **for audits of financial statements of listed entities**, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).

Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?

Yes, we support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern.

Yes, we support these requirements be extended to also apply to audits of financial statements of entities other than listed entities. We believe this will improve consistency and enhance transparency of going concern reporting for audits of all entity types.

Question 15

Is it clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.

Yes, it is clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern.

Question 16

Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Yes, we have one further matter to raise. The Explanatory Memorandum of ED-570 states that the new requirement in paragraph 28 in ED-570 is *“intended to work with and apply in the context of the requirements in ISA 560 relating to facts which become known to the auditor after the date of the auditor’s report but before the financial statements are issued.”*

The proposed paragraph 28 in ED-ISA 570 does not explicitly state the timing of when the auditor shall *“consider whether any additional information has become available”* and differs from ISA 560 which states *“a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report”*.

If the IAASB’s intention is to be consistent with ISA 560, consider amending Paragraph 28 of ED-ISA 570 with the following improvements:

28 The auditor shall consider whether any facts have become known to the auditor after the date of the auditor’s report but before the date the financial statements are issued that is related to management’s assessment of the entity’s ability to continue as a going concern. If so, the auditor shall perform procedures in accordance with ISA 560.

If it is not the IAASB’s intention to be consistent with ISA 560 then additional guidance or explanatory information is needed to assist auditors in interpreting the requirement and procedures expected to be performed.

Question 17

The IAASB is also seeking comments on the matters set out below:

(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-570.

(b) Effective Date—Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the fraud project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

- (a) Translations - We do not have any comments.
- (b) Effective Date - We do not have any comments.