



July 28, 2023

International Auditing and Assurance Standards Board
Via web posting: www.iaasb.org

Dear Sir/Madam:

Re: Proposed International Standard on Auditing 570 (Revised 202X) Going Concern, and Proposed Conforming and Consequential Amendments to Other ISAs

We do not support the proposed Standard as outlined in the exposure draft International Standard on Auditing 570 (Revised 202X) Going Concern. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "T. Clemett".

Tara Clemett, CPA, CA, CISA
Provincial Auditor

kw/dd
Attachment

cc: K. DeGiobbi, CPA, CA, Director, Auditing and Assurance Standards, Auditing and Assurance Standards Board

	Question	Response
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	No, the proposed changes do not meet the objectives in the project proposal. Specifically, the qualitative-standard setting characteristics of scalability, implementability, and ability of being consistently applied and globally operable are not fully considered. See our responses to the specific questions (i.e., question 2, 3, 8 and 10) below for more detail.
2	Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgements 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?	<p>No, the proposed changes will not enhance and strengthen the auditor's judgements and work relating to going concern. Overall, our view is that ISA 570 (Revised 202X) imposes requirements on management to prepare a going concern assessment. Auditing and assurance standards are not an appropriate place to impose such a requirement on management. Requirements for management to prepare certain information belong in accounting standards.</p> <p>In addition, ISA 570 (Revised 202X) does not appropriately consider the uniqueness of the public sector environment. For example, the revised standard could potentially create a misalignment between public sector accounting standards and auditing standards (i.e., if public sector accounting standards do not require a going concern assessment). Other public sector concerns that have not been taken into consideration include scalability of the standard for small agencies and the ability to obtain adequate information from a public sector agency in order to evaluate management's going concern assessment (e.g., information may be included in budget documents that have not yet been publicly released, and therefore cannot be made available to the auditor for the time period required).</p> <p>The proposed changes to the auditor's report also could create unrealistic expectations of what the auditor has evaluated. Users of the financial statements could perceive that auditors are providing a greater level of assurance on an agency's ability to continue as a going concern than is actually being provided. The purpose of the auditor's report is to report on historical financial information, and not forward-looking financial information. The proposed changes also result in various aspects in the auditor's report being treated inconsistently (i.e., conclusions provided on some aspects of the audit, but not others). This does not enhance transparency through communicating and reporting about the auditor's responsibilities and work.</p>

	Question	Response
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?	No, the proposed standard is not scalable. Although going concern matters are relevant to all entities, smaller entities may not have the ability to do a robust assessment of going concern. In addition, the proposed standard does not sufficiently take into consideration the public sector environment.
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, application of professional skepticism is appropriately reinforced.
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, the definition provides sufficient clarity.
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, the proposed standard appropriately addresses risk assessment procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
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)?	No, the proposed change in commencement date is not appropriate. The extended assessment period could create challenges for auditors. Specifically in the public sector, management may not have information available on funding that may be received by their agency for subsequent funding cycles that would be included in this extended period.
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, the proposed enhanced approach is not appropriate. See response to Question 1.
9	Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the	Yes, the concepts from ISA 540 (Revised) are appropriately incorporated.

	Question	Response
	method, assumptions, and data used in management's assessment of going concern?	
10	Do you support the enhanced requirements and application material, as part of evaluating management's plan 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 party or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?	<p>No, the proposed enhanced requirements and application material are not appropriate. Specifically, it is not clear how the auditor can evaluate the ability of third party or related parties to maintain or provide the necessary financial support. This implies that the going concern assessment extends beyond the agency being audited to assessing going concern for a third party agency.</p> <p>Also, as noted in the response to Question 1, the proposed standard has not appropriately considered the public sector environment. For example, governments may not be willing to confirm the intent and ability to maintain or provide the necessary financial support to public sector agencies.</p>
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 proposed enhanced requirements and application material should result in increased two-way communication with TCWG about going concern.
12	Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity when law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?	Yes, this proposed requirement is appropriate.
13	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?	No, the proposed changes do not enable greater consistency and comparability. The proposed changes to the auditor's report could create unrealistic expectations of what the auditor has evaluated as part of evaluating going concern. Users of the financial statements could perceive that auditors are providing a greater level of assurance on an agency's ability to continue as a going concern than is actually being provided. The purpose of the auditor's report is to report on historical financial information, and not forward-looking financial information. The proposed changes also result in various aspects in the auditor's report being treated inconsistently (i.e., conclusions provided on some aspects of the audit, but not others).
14	Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's	See response to Question 13 for our concerns about the proposed changes to the auditor's report. The additional requirements for the auditor's report of

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	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?	audits of listed entities would not eliminate these concerns; therefore, they would not facilitate further enhanced transparency.
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 all implications are addressed.
16	Are there any other matters you would like to raise in relation to ED 570?	None noted.
17	<p>The IAASB is also seeking comments on the matters set out below:</p> <p>(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.</p> <p>(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</p>	<p>(a) No additional comments.</p> <p>(b) Yes, this would provide a sufficient period to support effective implementation of the ISA; however, we do not support the proposed amendments to the standard as outlined in the exposure draft. See our responses to the other specific questions.</p>