

August 25, 2023
Ref.: SEC/042/23 - DN

International Assurance and Auditing Standards Board for Accountants (IAASB)

529 5th Avenue
New York, New York 10017
USA

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

Dear Sirs,

Ibracon is pleased to have the opportunity to comment on the International Auditing and Assurance Standards Board (IAASB) Exposure Draft (ED-570) in respect of *Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*.

Responses to Questions

Overall questions

- 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?**

We agree that ED-570 is responsive to the public interest, largely with the link to the risk assessment procedures that ISA 315 (Revised) requires.

We also agree with the extension of the period of entity management's assessment of the entity's ability to continue as a going concern.

- 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 would like to stress the need of education of all stakeholders when considering going concern, mainly entity management and those charged with governance.

- 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?**

Overall, we believe the proposed standard is scalable to entities of different sizes and complexities. We consider that communication to management of less complex entities that the assessment period will be extended if the assessment covers less than twelve months from the date of approval of the financial statements will be essential.

We also support the IAASB's communication with the IASB to align terminology and consistency of requirements, which is positive to the public interest.

- 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, we agree that the requirements and application material appropriately strengthen the auditor's application of professional skepticism throughout planning and performance of the audit.

Including illustrative examples that refers to types of unconscious or conscious auditor biases that may impede the exercise of professional skepticism is good guidance that can be included in the application material. Another point refers to the person responsible in the engagement team for the evaluation of management's assessment of the going concern, as it would be expected to have someone with more experience and knowledge of the entity's operation to evaluate management's plans.

Specific Questions

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). However, additional examples in the application material may be needed to address the magnitude of potential impact and the likelihood of occurrence.

We also support the application material clarifying the phrase “may cast significant doubt”.

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, however we believe more guidance is needed about how to respond to the risk when events or conditions that may cast significant doubt on the entity's ability to continue as a going concern having been identified.

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)?**

We agree with the change in the commencement date, as it will promote consistency of global application to support the public interest, as well as the flexibility provided in paragraphs 22 and A43-A44 of ED-570.

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?**

Yes, we support the enhanced approach in accordance with the requirements of ISA 315 (Revised). We believe, however, that further guidance would be helpful to clarify the extent of auditor's documentation when an entity is profitable.

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, however, some paragraphs seem repetition of extracts of ISA 540 (Revised), such as paragraphs 23 to 25, and thus, we would recommend revising them.

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.

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. We believe that this greater transparency is responsive to the public interest.

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.

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.

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?

We support the requirements and application material for listed entities only, as this transparency is important for different stakeholders. Extending to audits of financial statements of entities other than listed entities can generate confusion because the lack of agreement on the definition of public interest entities (and interplay with listed entity concept).

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.

We believe it is clear that ED-570 addresses all implications for the auditor's report.

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.

No.

Request for General Comments

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.**

To support accessibility and consistent adoption, we would like to ask the IAASB to make the standards as accessible as possible through the e-International Standards online tool.

Regarding the effective date, we would support a minimum of 18 months to allow sufficient time for translation and development of firms' methodologies and training materials.

We appreciate the opportunity to comment on ED-570.

Best Regards,


Valdir Renato Coscodai
President


Rogério Lopes Mota
Technical Director