



August 23, 2023

International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017
USA

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

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the Exposure Draft of the International Auditing and Assurance Standards Board (“IAASB”) on Proposed International Standard on Auditing 570 (Revised) *Going Concern* (“the proposed amendments” or “ED-570”). The Canadian Securities Administrators (“CSA”) is an organization of Canada’s provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee (“CAC”) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Québec. We have provided the following comments about a few key aspects in ED-570.

Overall Comments

We support the IAASB’s effort to address public interest demands for enhanced transparency on going concern in the audit of financial statements. We believe the enhancements to extant ISA 570 (Revised) will promote consistent practices amongst auditors.

We support the IAASB’s proposed timeline over which the auditor assesses going concern, however, we think additional guidance is needed to ensure that auditor reporting is consistent and comparable for similar matters. We also encourage the IAASB to continue engagement with accounting standard setters to determine if further convergence with the financial reporting framework regarding the commencement date of the twelve-month period of management’s assessment is necessary and ensure that a holistic approach on other issues of mutual interest relating to going concern are addressed (refer to our response to Question 16).

Specific Questions

ED-570 Question Reference: 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 are supportive of the IAASB’s proposed change to the going concern assessment period, however, we have the following concerns that could lead to inconsistent auditor reporting for similar matters:

Auditor reporting when management does not extend assessment period

We think there may be a potential for inconsistent auditor's opinions or disclosures within the auditor's report when management is unwilling to extend their assessment period solely to support the auditor's requirements in ED-570 but has complied with the assessment period requirements in the applicable accounting framework. We recommend the IAASB provide further guidance on the applicability of issuing a modified opinion under these circumstances and whether there is an expectation of disclosure about the differing assessment periods of management and the auditor in the auditor's report.

Auditor reporting on evaluation of management's assessment

We also note that the requirements in paragraphs 33(b)(ii) and paragraph 34(d) of ED-570 are unclear in situations where the auditor is required to describe how they evaluated management's assessment of the entity's ability to continue as a going concern. Further illustrative guidance or examples would aid in promoting consistency across auditor's reports.

ED-570 Question Reference: 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?

We support the IAASB's objective to address stakeholder demands for enhanced transparency and consistency with respect to the auditor's responsibilities and work related to going concern within the auditor's report. We also support the additional auditor's report disclosure required for listed entities in "close call" situations because it provides clarity and transparency about how the auditor evaluated management's assessment of the entity's ability to continue as a going concern when events or conditions are identified by management that may cast significant doubt on the entity's ability to continue as a going concern.

We think the enhanced disclosure will improve the overall quality of financial reporting and provide decision useful information to investors. However, we recommend that the Board reconsider the wording of the proposed explicit statements (paragraphs 33(a) and 34(a)) within the auditor's report about the appropriateness of management's use of the going concern basis of accounting to ensure that such statements do not imply or suggest that the auditor is expressing an opinion on a specific matter, in addition to its opinion on the financial statements as a whole.

ED Question Reference: 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.

Collaboration with the IASB

We encourage the IAASB to continue its efforts to solicit feedback from relevant stakeholder groups to ensure the proposed amendments remain fit for purpose in the current and future business environment. In particular, the IAASB should continue to liaise and collaborate with the International Accounting Standards Board (IASB) to address topics of mutual interest and overlapping concepts. As communicated previously, we continue to be of the view that any changes to the auditing standards should be considered in tandem with the relevant responsibilities of issuers in the applicable financial reporting framework. For example, we note the current requirements of the financial reporting framework state the following:

- IAS 1 *Presentation of financial statements* defines the going concern assessment period as ‘a period that should be at least, but is not limited to, 12 months from the end of the reporting period’ and;
- IAS 10 *Events after the reporting period* (paragraph 14) states that management should have to perform an assessment on going concern after the reporting period up to the date when the financial statements are authorized for issue.

Although these current requirements are not inconsistent with ED-570, we encourage the IAASB to continue its dialogue with the IASB regarding this matter and whether further convergence, additional guidance or revisions to the standards may be necessary to address any consequences of potential diversity in assessment periods. As another example, we refer the IAASB back to the auditor’s requirements for “close call” going concern situations that we previously identified in our comment letter in response to the IAASB’s Discussion Paper on [Fraud and Going Concern in an audit of financial statements](#).

Use of the term “listed entity”

ED-570 uses the term ‘listed entity’ to differentiate certain requirements in the standard. We note that the term ‘listed entity’ excludes several entities that are reporting issuers in Canada, most notably, there are approximately 3,400 investment funds subject to continuous disclosure requirements that are not listed or marketed under the regulations of a recognized exchange or equivalent body. As a result, this could lead to inconsistent application of the proposed amendments in our capital markets, primarily with respect to the wording of the auditor’s report.

To support a consistent application, we recommend that the IAASB consider aligning the timing of the final ISA 570 (Revised) with the IAASB’s ‘Listed Entity and PIE’ project to ensure that any decision to use the new ‘listed entity’ or ‘PIE’ definition in the final ISA 570 (Revised) is consistent and is reflected on initial application. This will allow local standard setters and securities regulators to make further scope decisions, and potential amendments to the requirements in their jurisdiction, at time of initial application based on complete information.

Scalability

We acknowledge the IAASB has made positive steps towards addressing scalability throughout the proposed amendments. Application material in paragraph A13 of ED-570 indicates that the nature and extent of the auditor’s risk assessment procedures are likely to be more extensive for entities with a complex structure and business activities in contrast to smaller or less complex entities. While we agree that the auditor’s risk assessment procedures may be less complex for smaller entities, we think that application material paragraph A13 of ED-570 could be subject to the misinterpretation that less work is required for smaller entities, which are the entities that will generally have a greater likelihood of material uncertainties that cast doubt on the ability to continue as a going concern. We think the terms ‘nature and extent’ may be too broad in this context causing this misinterpretation. We

encourage the IAASB to reconsider certain examples provided throughout the application guidance to ensure that this message is not cast.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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