

Projet de modification de la Norme canadienne d'audit (NCA) 570 Continuité de l'exploitation

Réponses à l'exposé-sondage

Juin 2023

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7	The Canadian Centre for Audit Quality (CCAQ)

Montréal, le 19 juillet 2023

Karen DeGiobbi, CPA, CA
Directrice, Normes d'audit et de certification
Conseil des normes d'audit et de certification
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail technique — Certification de l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage *Projet de Norme internationale d'audit 570 (révisée en 202X), Continuité de l'exploitation, et projet de modifications de concordance et de modifications corrélatives à apporter à d'autres normes ISA*.

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame De Giobbi, nos salutations distinguées.

Christophe Blouin, CPA auditeur
Représentant du groupe de travail technique — Certification

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les groupes de travail de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître leur opinion sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail de l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via le Groupe de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux, dans l'industrie et dans l'enseignement ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires ont fait l'objet d'un consensus parmi les membres des groupes de travail ayant participé à cette analyse.

Les commentaires formulés ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

Il est à noter que les membres du groupe de travail n'ont pas répondu à toutes les questions de l'exposé sondage. Lors d'une rencontre tenue le 28 juin, ils ont plutôt partagé leur opinion par rapport aux questions ci-dessous.

Questions du CNAC

3. Le CNAC propose que la NCA 570 révisée s'applique aux audits d'états financiers des périodes ouvertes environ 18 mois après l'approbation par l'IAASB de la norme ISA 570 (révisée en 202X). Avez-vous des réserves concernant cette date d'entrée en vigueur proposée? Cette date correspondrait à la date d'entrée en vigueur prévue de la NCA 240 (révisée), Responsabilités de l'auditeur concernant les fraudes lors d'un audit d'états financiers.

Les membres font part d'inquiétudes importantes au niveau du délai pour l'implantation des nouvelles exigences.

De manière générale, les membres aimeraient que les Conseils de normes Canadien et International considèrent les éléments suivants dans leur décision sur la date d'entrée en vigueur :

- L'expérience vécue pour l'implantation de la NCA 315 révisée et des normes de gestion qualité a démontré clairement qu'une période de 18 mois ne permet pas de préparer adéquatement d'importantes transitions qui nécessitent :
 - Des discussions sur les interprétations et les enjeux d'application anticipés afin d'évaluer les besoins en ressources à développer (publications, formations) pour répondre à ces enjeux;
 - La préparation de ressources dans les deux langues officielles pour aider les membres à comprendre les changements (publications, formations etc);
 - L'adaptation des méthodologies dans les cabinets, dans le Guide des missions professionnelles et auprès des fournisseurs de logiciels;
 - La formation du personnel auprès des Ordres provinciaux et à l'interne etc.
- Dans le cas de la NCA 315 révisée et des NCGQ, de nombreux enjeux d'application sont encore présents et certains enjeux auraient pu être évités si on avait eu plus de temps en amont pour mieux se préparer à ces changements. Cette implantation trop rapide a pour conséquence de générer beaucoup d'inefficacité pour les cabinets, car elle entraîne des ajustements dans les années qui suivent la première année d'implantation, notamment à la suite de publications apportant des interprétations différentes des exigences.
- L'implantation imminente d'autres changements importants notamment la NCA 600, NCA 500, NCA 240 etc.

- Les délais supplémentaires causés par la traduction dans un contexte canadien au niveau des textes de normes, des outils, des formations etc. Les membres croient d'ailleurs que le CNAC devrait considérer cette particularité canadienne dans l'adoption des dates d'entrées en vigueur pour le Canada.

L'implantation trop rapide de nouvelles exigences ne permet pas d'atteindre les objectifs d'intérêt public si le manque de temps et de ressources entraîne une application inadéquate des changements. Il est essentiel de trouver un juste équilibre entre le besoin d'adapter les normes à l'évolution du contexte d'affaires et la capacité d'implantation des professionnels en exercice dans les cabinets de toutes tailles dans un contexte de pénurie de main-d'œuvre. On observe présentement un déséquilibre ayant pour conséquence une pression énorme sur les cabinets qui peinent à répondre à la demande d'audit. L'ajout trop rapide d'exigences accroît le risque que les cabinets délaissent certains clients, voire certains secteurs d'activités, à plus faible marge comme les OSBL, cessent d'effectuer des audits ou encouragent leurs clients à convertir les missions d'audit en mission d'examen ou de compilation entraînant ainsi une dégradation des missions dans le marché des sociétés privées. Ces conséquences ne servent pas l'intérêt public.

Les membres invitent les Conseils des normes à fortement considérer une application pour les entités cotées seulement dans le délai de 18 mois et à prévoir une période de 24 mois ou plus pour les sociétés privées. Enfin, le contexte canadien des 2 langues officielles nécessitant la traduction des normes et de tous les outils pour aider leur implantation ainsi que le marché important d'audit de petites entités fermées justifierait que le Conseil Canadien envisage fortement cette option même si elle est rejetée à l'international.

Appel à commentaires IAASB

7. Êtes-vous favorable à la modification de la date de début de la période de 12 mois considérée par la direction pour son évaluation de la continuité de l'exploitation, consistant à remplacer la date de clôture (exigence de la norme ISA 570 actuelle (révisée)) par la date d'approbation des états financiers (proposition du paragraphe 21 de l'ES-570) ? Tenez compte, dans votre réponse, de la flexibilité dont bénéficierait l'auditeur selon les paragraphes 22, A43 et A44 de l'ES-570 dans les cas où la direction refuserait de faire ou de prolonger son évaluation. Si vous n'êtes pas favorable aux propositions, quelle(s)

autre(s) solution(s) suggéreriez-vous (veuillez préciser pourquoi vous pensez que ces solutions seraient plus appropriées et applicables en pratique) ?

Les membres mentionnent que dans le cas des petites entités privées, il est généralement difficile d'établir (prévoir) la date d'approbation des états financiers permettant de déterminer la période sur laquelle devra porter l'évaluation de la direction de la capacité de l'entité à poursuivre son exploitation. De plus, cette date est souvent modifiée. Pour les sociétés privées, il est aussi souvent difficile d'obtenir des résultats réels après la fin d'année pour permettre à l'auditeur la comparaison des résultats réels avec les budgets ou les prévisions. En prolongeant cette période, il y aura un enjeu majeur pour obtenir des résultats réels. En pratique, afin de recueillir des éléments probants, les auditeurs laissent passer un peu de temps pour observer le dénouement de certains plans d'action et observer des résultats réels; ce prolongement ajoutera des difficultés d'application importantes.

Les membres concluent majoritairement que cette exigence est plus facilement applicable pour les entités cotées. Ils recommandent que ces nouvelles exigences soient applicables uniquement pour les entités cotées. De plus, les membres recommandent de conserver, pour les autres entités, la date de clôture des états financiers comme date de début de la période de 12 mois considérée par la direction pour son évaluation de la capacité de l'entité à poursuivre son exploitation.

13. Cette question a trait aux incidences sur le rapport de l'auditeur pour les audits d'états financiers de toutes les entités, à savoir l'inclusion dans le rapport d'une section distincte intitulée « Continuité de l'exploitation » ou « Incertitude significative liée à la continuité de l'exploitation », ainsi que d'énoncés explicites sur les conclusions de l'auditeur quant au caractère approprié de l'utilisation par la direction de la base de la continuité de l'exploitation et quant à l'existence ou non d'une incertitude significative.

Appuyez-vous les exigences et modalités d'application visant à accroître la transparence au sujet des responsabilités et des travaux de l'auditeur à l'égard de la continuité de l'exploitation, et pensez-vous qu'elles permettent de fournir des informations utiles aux

utilisateurs visés d'états financiers audités ? Les propositions favorisent-elles l'uniformité et la comparabilité des rapports de l'auditeur à l'échelle mondiale ?

Pour toutes les sociétés, et particulièrement les sociétés privées, la quasi-totalité des membres sont en désaccord avec ces nouvelles exigences.

Les membres sont également en désaccord avec le libellé de l'énoncé explicite proposé dans les exemples qui sous-entend que l'auditeur fournit une opinion distincte à l'égard de la continuité d'exploitation elle-même plutôt qu'à l'égard du caractère approprié de l'utilisation par la direction de la base de la continuité de l'exploitation et quant à l'existence ou non d'une incertitude significative (voir commentaire sur le libellé à la question 14).

Les membres sont aussi en désaccord avec l'inclusion d'une section distincte et d'énoncés explicites applicables même en l'absence d'incertitude significative à toutes les sociétés, car selon eux :

Selon les propositions, en absence d'incertitude significative, l'auditeur se prononcerait directement et explicitement sur le fait qu'il n'y a pas d'incertitude sur la capacité de l'entreprise de poursuivre son exploitation. Pour les membres cette affirmation peut donner la perception que l'auditeur offre une forme d'attestation de la santé financière d'une entreprise, ce qui n'est pas la responsabilité de l'auditeur, mais de la direction comme stipulé dans le rapport de l'auditeur indépendant « c'est à la direction qu'il incombe d'évaluer la capacité de la société à poursuivre son exploitation, de communiquer, le cas échéant, les questions relatives à la continuité de l'exploitation et d'appliquer le principe comptable de continuité d'exploitation. » La profession s'efforce d'éduquer plusieurs parties prenantes à l'effet qu'il n'est pas dans les responsabilités de l'auditeur de se prononcer sur la santé financière d'une entité, mais cette perception est bien ancrée¹. Ces nouvelles exigences et le libellé viennent renforcer cette perception.

Les membres pensent que ce paragraphe donne une perception que l'auditeur fournit une opinion distincte ou un niveau d'assurance supplémentaire en plus de son opinion sur les états financiers. « Nous n'avons relevé aucune » est une formulation liée à une mission

¹ <https://cpaquebec.ca/fr/membres-cpa/encadrement-de-la-profession/conseils-deontologiques-et-outils-pratiques/fournir-ou-non-une-attestation-de-sante-financiere/>

d'assurance limitée (examen). Ce paragraphe donne la perception que l'auditeur exprime une conclusion distincte sur la continuité d'exploitation elle-même plutôt que d'exprimer une conclusion sur l'appréciation de la continuité par la direction. On vient renforcer la perception des utilisateurs qu'il est de la responsabilité de l'auditeur d'évaluer la capacité de l'entité de poursuivre son exploitation.

Le fait de créer une section distincte et de se prononcer explicitement dans toutes les situations et pour toutes les entités augmente le risque que la perception du public sur le rôle de l'auditeur s'éloigne encore plus de la responsabilité réelle de ces derniers.

14. Cette question a trait aux incidences supplémentaires sur le rapport de l'auditeur pour les audits d'états financiers d'entités cotées, à savoir l'inclusion d'une description de la manière dont l'auditeur a apprécié l'évaluation faite par la direction de la continuité de l'exploitation lorsqu'ont été relevés des événements ou situations susceptibles de jeter un doute important sur la capacité de l'entité à poursuivre son exploitation (qu'il existe ou non une incertitude significative). Appuyez-vous les exigences et modalités d'application visant à accroître davantage la transparence au sujet des responsabilités et des travaux de l'auditeur à l'égard de la continuité de l'exploitation ? Y a-t-il lieu d'appliquer ces exigences et modalités d'application aux audits d'états financiers d'entités autres que des entités cotées ?

Dans les situations d'absence d'incertitudes significatives, mais présence d'événements susceptibles de jeter un doute important (close call) :

- Dans le cas des sociétés privées, les membres considèrent que l'ajout de ce paragraphe n'ajoute aucune information utile pour le lecteur et il augmente le risque décrit à la question 13.
- Dans le cas des entités cotées, les membres recommandent de revoir le libellé proposé afin d'éviter la perception d'une opinion distincte et aussi éviter les apparences de contradiction telles que décrites ci-dessous.

- Les membres ajoutent également que le renvoi aux informations sur les événements ou situations susceptibles de jeter un doute important sur la capacité de l'entité à poursuivre son exploitation renforce l'importance accordée à cet élément et pourrait laisser croire à l'utilisateur du rapport que cette question est clé dans l'audit des états financiers même si celle-ci n'a pas été identifiée comme tel. Également, dans l'optique où il ne s'agit pas d'une question clé de l'audit, la description de la manière dont l'auditeur a apprécié l'évaluation faite par la direction de la capacité de l'entité à poursuivre son exploitation, conformément à la norme ISA 570 (révisée en 202X) ne devrait pas être exigé en corrélation avec la NCA 701.

Les membres ont analysé l'exemple de libellé proposé dans ces situations à la page 104 de l'exposé-sondage (Rapport de l'auditeur sur les états financiers d'une entité cotée comportant une opinion non modifiée lorsque l'auditeur conclut qu'il n'existe aucune incertitude significative, mais un doute important) :

Continuité de l'exploitation

Nous avons conclu que l'utilisation par la direction de la base de la continuité de l'exploitation dans la préparation des états financiers est appropriée. En nous fondant sur les éléments probants obtenus, nous n'avons relevé aucune incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la société à poursuivre son exploitation.

Nous attirons l'attention sur la note X des états financiers, qui décrit les incertitudes politiques et économiques auxquelles la société fait face ainsi que les diverses mesures qu'elle a déployées pour en atténuer les effets sur ses activités.

[Description de la manière dont l'auditeur a apprécié l'évaluation faite par la direction de la capacité de l'entité à poursuivre son exploitation, conformément à la norme ISA 570 (révisée en 202X).]

Selon eux, pour un utilisateur moyen, les deux paragraphes se contredisent. On mentionne qu'il n'y a aucune incertitude significative pour ensuite parler d'une note X qui décrit des « incertitudes politiques etc.. ». Seul un lecteur à l'aise avec la distinction technique de « doute important (close call) », mais « absence d'incertitude significative » sera en mesure de comprendre la signification et l'utilité de ce paragraphe. Dans le cas où ce paragraphe est conservé pour les entités cotées seulement, les membres recommandent de revoir ce libellé pour régler l'apparence de contradiction des deux paragraphes et ajouter plus de clarté.

17. b) Entrée en vigueur

Les membres font part d'inquiétudes importantes au niveau du délai pour l'implantation des nouvelles exigences (voir la réponse à la question 3 de l'exposé-sondage canadien).



July 28, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
TORONTO, ON M5V 3H2

Dear K. DeGiobbi:

Re: Proposed Amendments to Canadian Auditing Standard (CAS) 570 – Going Concern

We do not support the proposed revisions to CAS 570, Going Concern as outlined in the exposure draft. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink, reading 'T. Clemett'.

Tara Clemett, CPA, CA, CISA
Provincial Auditor

kw/dd
Attachment

	Question	Response
1	Do you agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570? If not, what Canadian amendments do you believe are required and why?	No, we do not agree that no Canadian amendments are required to adopt ISA 570 (Revised 202X) as we do not support the proposed changes in ISA 570 (Revised 202X). 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. In addition, the proposed ISA 570 does not appropriately consider the public sector environment. For example, Canadian Public Sector Accounting Standards do not require a going concern assessment, as financial statements are prepared with a going concern assumption (PS 1000.63). Therefore, the proposed ISA 570 would create a misalignment between Canadian Auditing Standards and Canadian Public Sector Accounting Standards. There are also other public sector concerns that have not been taken into consideration, including scalability of the standard 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). 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). We believe that the AASB should make amendments to proposed ISA 570 to address these concerns.

	Question	Response
		Our responses to the questions in the IAASB's Proposed International Standard on Auditing 570 (Revised 202X) Going Concern Exposure Draft outline our specific concerns. We have provided the AASB with a copy of our response to the IAASB.
2	Do you believe the proposed revisions would create any implementation challenges for practitioners in Canada?	Yes, we believe the revisions would create implementation challenges. Our responses to the questions in the IAASB's Proposed International Standard on Auditing 570 (Revised 202X) Going Concern Exposure Draft outlines our specific concerns. We have provided the AASB with a copy of our response to the IAASB. Implementation Challenges that could be created include: - Imposing requirements on public sector management to prepare certain information that public sector accounting standards may not require could result in management not preparing or providing that information, as they have no obligation under accounting standards to prepare or provide it. Assessing the impact of this on the audit opinion could be challenging for auditors. - Practitioners that audit the public sector could specifically have challenges obtaining management's going concern assessment. Management may not be able to make a going concern assessment because of a lack of information (e.g., future budget information on funding is not available). This challenge increases with the extension of the required assessment period. - The ability of smaller agencies, particularly in the public sector, to do a robust assessment of going concern. This will create challenges for auditors in evaluating assessments.
3	Do you have any concerns with the proposed effective date for CAS 570, which is for audits of financial statements with financial reporting periods beginning on or after approximately 18 months from the IAASB's approvals of ISA 570 (Revised 202X)?	No, we do not have any concerns with the proposed effective date for CAS 570; however, we do not support the proposed amendments to the standard as outlined in the exposure draft. See our response to the other specific questions.

July 31, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Ms. DeGiobbi:

Subject: Exposure Draft: Proposed Amendments to Canadian Auditing Standards (CAS) 570 (the “Exposure Draft”)

We are pleased to have the opportunity to comment on the Exposure Draft proposed by the Audit and Assurance Standards Board (the “AASB”). In our response below, we have focused on potential challenges of adopting the revised standard that are likely to be unique to the Canadian environment, as opposed to concerns that would be expected to apply in all jurisdictions and, therefore, would need to be considered at the international level.

Comments requested by the AASB:

1. Do you agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570? If not, what Canadian amendments do you believe are required, and why?

We believe that certain amendments may be necessary to accommodate the range of financial reporting frameworks used in Canada. Public Sector Accounting Standards (PSAS) do not specify an assessment period to be used by management when evaluating going concern, as it is assumed that the entity will continue as a going concern unless there is a plan to cease or restructure operations. The concept of assessing going concern therefore has unique considerations for entities reporting under PSAS, so documenting the auditor's assessment of going concern in the auditor's report may be confusing for users of these entities' financial statements.

2. Do you believe the proposed revisions would create any implementation challenges for practitioners in Canada?

Yes. We believe that introducing an inconsistency between the period of assessment required by the financial reporting framework (typically a minimum of 12 months from the year-end date) and that required by the auditing standards (a minimum of 12 months from the date of approval of the financial statements) puts practitioners in an awkward position, as they must request management to perform an assessment over a longer period than that required by the financial reporting framework. This issue is compounded in the Canadian environment where: (1) as mentioned above, certain frameworks do not specify a minimum assessment period; and (2) audits of small entities are often not completed until many months after the year-end, increasing the discrepancy in the required assessment periods.

Another implementation challenge concerns audits of government and not-for-profit entities. These entities are often funded on an annual basis meaning that, at the time that the audit is completed, the assessment that the entity will continue in operation for a period of 12 months from the year-end date can be made with reasonable certainty, given the funding already approved. However, extending the assessment beyond that period may impact the practicality of performing a meaningful assessment (from a management and auditor/practitioner perspective), as the ability of the entity to continue as a going concern into the next funding period is contingent on the decisions of the parent entity or funding agency.

3. Do you have any concerns with the proposed effective date for CAS 570, which is for audits of financial statements with financial reporting periods beginning on or after approximately 18 months from the IAASB's approval of ISA 570 (Revised 202X)?

The effective date could be an issue, depending on the extent to which the points we noted above are addressed prior to the release of CAS 570. If ISA 570 (Revised 202X) is adopted unamended, it will be necessary to educate clients regarding the new requirements and more extensive going concern assessment that they will be required to perform. 18 months may not be an adequate time period for completing this process.

Should you wish to discuss any of our comments, please contact Greg Weber (greg.weber@ca.gt.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Weber', with a stylized, cursive script.

Greg Weber, CPA, CA
Grant Thornton LLP

Colin Semotiuk, CPA, CA
Office of the Auditor General of Alberta¹
Edmonton, Alberta

July 31, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Karen DeGiobbi:

Thank you for the opportunity to provide comments on the “Proposed Amendments to Canadian Auditing Standard (CAS) 570 – Going Concern” Exposure Draft. Our comments are as follows:

1. Do you agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570? If not, what Canadian amendments do you believe are required, and why? Note: Proposed amendments need to meet the criteria set out in the Appendix.

No – we believe that Canadian amendments are required to ISA 570 (Revised 202X) based on circumstance 3 as outlined in the Appendix, which states “*there are circumstances particular to the Canadian environment where such amendments are required to serve the Canadian public interest and maintain the quality of auditing and reporting in Canada.*”

There are two issues:

- 1) In the public sector going concern issues arise most often due to restructurings that involve dissolutions. However, Canadian Public Sector Accounting Standards apply both when an entity is a going concern and when it is not, as explained below. The requirements of ED-570 are written as if the applicable financial reporting framework is not acceptable if the entity is not a going concern, and as if “no material uncertainty” means that the entity continues to be a going concern. In the public sector, there may be “no material uncertainty” because legislation has passed resulting in the future dissolution of an entity, but PSAS is still an acceptable financial reporting framework for the entity.
- 2) The requirements in ED-570 to draw attention to material uncertainty could, in some circumstances, result in a legislative auditor having to comment on the merits of public policy, which may be in violation of their mandate.

¹ The views expressed herein do not necessarily reflect the views of the Office of the Auditor General of Alberta.

Regarding issue 1, Public Sector Accounting Standards (PSAS) have specific provisions which substantially change how the concept of going concern and CAS 570 is applied in the public sector. PS 3430.07 (h) states that in a restructuring transaction “*A transferor may continue or cease to exist after the restructuring.*” This means that PSAS is still an appropriate framework when the going concern assumption is in doubt or does not exist. This is further supported by the Basis for Conclusion to PS 3430 paragraphs 42 and 43 which states that remeasurement of the assets and liabilities to be transferred due to a restructuring would not be appropriate.

A consequence of these PSAS provisions is that ED-570 requirements need modification for the public sector in Canada in order to meet the public interest, because the requirements in paragraphs 33-37 do not clearly indicate what the auditor should do when the entity is not a going concern but the accounting framework is still acceptable.

It is not straightforward to modify ED-570 to address this situation because many requirement paragraphs may need to be adjusted. Therefore, we propose a general amendment be made by replacing paragraph 4 of ED-570 with the following:

If the financial reporting framework does not require management to assess if a material uncertainty exists or if the framework is still acceptable when the entity is not a going concern, such as in Canadian public sector accounting standards, the requirements of this section regarding implications for the auditor’s report (paragraphs 33-37) do not apply. In this case, the auditor considers if management has appropriately applied the applicable financial reporting framework and if any subsequent event(s) exist that should be disclosed in the financial statements regarding going concern. The auditor follows CAS 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report.

The above amendment is required in the Responsibility for Assessment of the Entity’s Ability to Continue as a Going Concern section of the standard due to the pervasive effect this has on the standard. Including this guidance outside the standard, such as in Non-Authoritative Guidance or Basis for Conclusions would not be sufficient. In addition, the paragraph A4 of ED-570 should be removed, ~~“The auditor is required by paragraph 30 to conclude whether such a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.”~~

Regarding the second issue, the requirement to draw attention to a material uncertainty in the auditor’s report may inappropriately require a legislative auditor to, in effect, comment on public policy. For example, a government may have proposed, but not yet passed, legislation to restructure an entity with transfer of the entity’s programs to a private sector entity; at the date of the auditor’s report the legislation is in reading i.e. proposed but not yet passed. This is likely considered a “material uncertainty” under ED-570, and paragraphs 34 or 35 apply. Under paragraph 34 (c), the legislative auditor would need to draw attention to the proposed but not passed legislation, by describing the matter as a “material uncertainty.” (We note this issue exists with current CAS 570; ED-570 represents an opportunity to address this public interest issue for legislative auditors).

However, for a legislative auditor (i.e. an officer of a legislature) to describe passage of legislation as “uncertain” could be problematic as it implies that there is uncertainty as to whether the legislation itself will pass i.e. calling into question the ability of the government

to pass the legislation (e.g. secure a majority vote on each reading of the bill, or there may be uncertainty in obtaining royal assent).

Because legislation that governs legislative auditors may explicitly (or implicitly, based on legislative practice) have requirements that prevent legislative auditors from commenting on public policy, a Canadian amendment under circumstances 1 of the Appendix, to comply with Canadian legal or regulatory requirements, is appropriate. Without a Canadian amendment, it appears that the CAS are including a requirement that is contrary to Canadian legislation by requiring legislative auditors to be commenting on pending legislation and public policy, which would be in violation of their mandate(s).

To address issue 2, we propose the AASB add the following Canadian amendment to application material to paragraph 34 and 35:

In the public sector, matters of going concern may involve matters of public policy. A legislative auditor may choose not to report on matters of going concern in the independent auditor's report because of their inability to comment on matters of policy or legislation.

We note PSAS does not explicitly require management to make an assessment of going concern and the auditing standards should not be imposing a financial reporting requirement which more appropriately would belong in the financial reporting standard(s).

2. Do you believe the proposed revisions would create any implementation challenges for practitioners in Canada?

Yes, we believe the proposed revisions would create multiple implementation challenges for legislative auditors in Canada. ED-570 does not address many implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern for public sector auditors. Examples of going concern implications for public sector entities not addressed in ED-570 include:

- legislation has been fully passed and therefore no material uncertainty regarding going concern exists as the public sector entity will be dissolved or consolidated (restructuring)
- legislation is in reading but has not passed and therefore material uncertainty regarding the public sector entity exists
- for each of the above, public sector entity has/has not included adequate disclosure of the dissolution or restructuring
- public sector entity is a going concern for one or two years but a dissolution date is known because it is specified in legislation

The Canadian amendments we suggested above would alleviate these challenges.

3. Do you have any concerns with the proposed effective date for CAS 570, which is for audits of financial statements with financial reporting periods beginning on or after approximately 18 months from the IAASB's approval of ISA 570 (Revised 202X)? The proposed effective date for CAS 570 will be consistent with the anticipated effective date of a revised CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

Due to the fact that ED-570 includes modifications to the auditor's report, we request an effective date a minimum of 24 months after approval of the final standard. Changes to the auditor's report take additional time and a 24 month period would allow auditors to present the impacts to management and those charged with governance to ensure they understand the impacts of ED-570 to the auditor's report. An effective date of only 18 months would likely mean that the auditor would be presenting the changes when the standard is already in effect.

Thank you for the opportunity to comment.

Sincerely,

Colin Semotiuk, CPA, CA

CPA Ontario Small and Medium Practices Advisory Committee

Going Concern Focus Group

c/o Chartered Professional Accountants of Ontario

130 King Street West, Suite 3400, PO Box 358

Toronto ON M5X 1E1

Email: smpac@cpaontario.ca

July 31, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Ms. DeGiobbi

We welcome the opportunity to submit this comment letter regarding the Auditing and Assurance Standards Board Exposure Draft *Proposed Amendments to Canadian Auditing Standard (CAS) 570 Going Concern*.

We are members of a focus group of CPA Ontario's Small and Medium Practices Advisory Committee. The Small and Medium Practices Advisory Committee provides a forum for identifying and addressing the common needs of members in small and medium practices and promotes the interests of members in small and medium practices within the overall profession.

Our focus group consists of members of the committee who conduct audit engagements for a wide range of entities within small and medium sized practices.

Please find following our comments in response to the Exposure Draft.

Sincerely,

Alex Doma, CPA, CA
Jennifer Chowhan, CPA, CA
Raza Husain, CPA, CA
Tracy Capstick, CPA, CA

1. Yes, we agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570.
2. Yes, we believe the proposed revisions would create implementation challenges for practitioners in Canada. In particular, we believe the requirement in ISA 570 (Revised 202X) paragraph 21 to require that auditors request management to extend its assessment period to at least twelve months from the date of approval of the financial statements will create implementation challenges for practitioners in Canada.

Impact on Less Complex Entities

- a. In many cases, management of less complex entities may not have prepared a detailed assessment of the entity's ability to continue as a going concern.
- b. For less complex entities that require an audit engagement, the proposed requirement to extend its going concern assessment to twelve months from the date the financial statements are approved may be overly onerous, such as in the case of a not for profit entity with an annual funding agreement.
- c. As a result, practitioners will face implementation challenges in the audits of less complex entities.

Inconsistency in Period of Going Concern Assessment Across Audit and Review Engagements

- a. Section 1400 *General Standards of Financial Statement Presentation* in Canadian Accounting Standards for Private Enterprises (ASPE) and Section 1401 *General Standards of Financial Statement Presentation for Not-for-Profit Organizations* in Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) require management to make an assessment of an entity's ability to continue as a going concern which is at least, but is not limited to, twelve months from the date of the balance sheet/statement of financial position.
- b. The performance of review engagements in accordance with Canadian Standard on Review Engagements (CSRE) 2400 *Engagements to Review Historical Financial Statements* is common in Canada, both for private and not-for-profit entities. In considering management's assessment of the entity's ability to continue as a going concern, CSRE 2400 paragraph 52 requires the practitioner to cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework.
- c. In practice, this means that the going concern assessment by management and the evaluation by the practitioner / auditor is over a consistent time period whether the financial statements have been subject to an audit or a review engagement.
- d. If the proposed revisions to CAS 570 are adopted, financial statements prepared in accordance with the same accounting framework will have a different period of going

concern assessment and evaluation, depending on whether an audit engagement or a review engagement has been performed over the financial statements.

- e. It is unlikely that third party users of financial statements (such as banks in the case of private entities and potential grantors in the case of not for profit organizations) will understand this inconsistency in the period of the going concern assessment across audit and review engagements, especially when the financial statements are prepared in accordance with the same accounting framework.
3. No, we do not have any concerns with the proposed effective date for CAS 570.

July 31, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Exposure Draft: Proposed International Standard on Auditing 570 (Revised), *Going Concern* and Proposed Conforming and Consequential Amendments to other ISAs

Thank you for the opportunity to comment on this Exposure Draft ("ED").

MNP LLP ("MNP") is one of Canada's largest chartered professional accountancy and business advisory firms. Our client base is focussed on small to mid-size businesses covering a broad range of industries including agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities and businesses, medical and legal professionals, not-for-profit organizations, municipalities, government entities, and publicly traded companies. We believe that we are positioned well to provide feedback on this ED for the revisions to CAS 570, *Going Concern*.

In addition to our responses to the below questions, please find attached our comments on the IAASB's Exposure Draft.

Providing comments to the AASB

1. Do you agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570? If not, what Canadian amendments do you believe are required, and why? Note: Proposed amendments need to meet the criteria set out in the Appendix.

If the current version of the ED-570 is approved as is, including the requirement for the auditor to report to authorities outside of the audited entity, we believe a Canadian amendment is required to exempt Canadian auditors from such requirement.

Other than that, we agree that no Canadian amendments are required to ISA 570 (Revised) to adopt it as CAS 570.

2. Do you believe the proposed revisions would create any implementation challenges for practitioners in Canada?

The pace of change is a significant concern to practitioners and users and we are concerned with successful implementation of these changes, a longer timeline and timely, meaningful guidance for audits of smaller entities is critical.

3. Do you have any concerns with the proposed effective date for CAS 570, which is for audits of financial statements with financial reporting periods beginning on or after approximately 18 months from the IAASB's approval of ISA 570 (Revised 202X)? The proposed effective date for CAS 570 will be consistent with the anticipated effective date of a revised CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

We believe the 18-month effective date may be too short, especially considering translation requirements, firm's ability to develop and release additional methodology, as well as enablement, and training for the revised standard. A 24-month timeline would better benefit practitioners to allow time for effective change management, quality implementation guidance and sufficient training.

We would be pleased to offer assistance to the AASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

MNP LLP

Dana Ray

Dana Ray
Partner, Assurance Professional Standards Group

Attachment: Comments on the IAASB's Exposure Draft

July 31, 2023

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017, U.S.A.

Re: Exposure Draft: Proposed International Standard on Auditing 570 (Revised), *Going Concern* and Proposed Conforming and Consequential Amendments to other ISAs

Thank you for the opportunity to comment on this Exposure Draft ("ED").

MNP LLP ("MNP") is one of Canada's largest chartered professional accountancy and business advisory firms. Our client base is focussed on small to mid-size businesses covering a broad range of industries including agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities and businesses, medical and legal professionals, not-for-profit organizations, municipalities, government entities, and publicly traded companies. We believe that we are positioned well to provide feedback on this ED for the revisions to ISA 570, *Going Concern*.

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**?

ED-570 was formulated against the backdrop of global corporate failure, which amplified the demand for enhanced transparency on going concerns. We believe that the proposal in ED-570 is responsive to these needs, and will likely enhance confidence in the capital markets which will benefit that specific element of the public interest. However, we would like to acknowledge that the proposal will impose inadvertent burdens to some private companies, such as less-complex entities, not-for-profit organizations and public sector entities where the going concern basis of financial reporting is of less significance and confidence in the capital markets does not directly influence their operations or financial statements.

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?

ED-570 may enhance and strengthen the auditor's judgements and work relating to going concern for certain audits, however, as noted above we believe that it will not add value to audits of certain entities such as less-complex entities, not-for-profit organizations or public sector entities. We also do not believe that the proposals will enhance transparency through communicating and reporting the auditor's responsibility and work. On the contrary, it may dilute the messages intended to be communicated in the audit report as too much information is required to be disclosed, especially when there is no material uncertainty relating to going concern. The readers may be distracted from information that is more relevant to the users of the financial statements. See further discussion in question 13.

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?

We recognize that the proposed standard has application material that provides more examples as to how the nature and extent of the procedures performed can be "less extensive", "straight forward", or "much simpler" for less-complex-entities. Nonetheless, procedures are required.

We also recognize that going concern matters are relevant to all entities. However, for certain entities (e.g., not-for-profit organizations, municipalities, or indigenous communities) where the audit has been mandated by regulations, not capital market participation, performing procedures around management's assessment of going concern when no events or conditions has been identified does not add value to the users of the financial statements, however it does add cost.

We believe Extant ISA 570 is more scalable in the context that an evaluation of management's assessment of going concern is required only when events and conditions that may cast significant doubt on the entity's ability to continue as going concern have been identified.

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 reinforce the auditor's application of professional skepticism in relation to going concern.

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.

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 does build on the foundational requirements of ISA 315 to support a more robust identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, some of the contents overlap and appear in both standards ISA 315 & ED-570. For example, ED-570 Paragraph A15 is very similar to ISA 315 Paragraph A64.

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 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 the approval of the financial statements. We believe that the assurance standards should be agnostic of the accounting standards and should not go above and beyond what the accounting standards require.

While the proposed change may have less impact on the audit of listed entities, it will create significant practical challenges for audits of less-complex entities as follows:

- The proposal may lead to delay in obtaining audit evidence as well as circular audit work in evaluating the twelve-months assessment period starting from the date of the financial statement approval date as this date can be fluid;
- The proposal may cause undue burden to certain entities as the information for a proposed assessment period that goes beyond the next fiscal year may not be readily available. It is important to recognize that even if management can provide the requisite information to comply with the standard requirements, such information may be highly subjective thus compromising its reliability and usefulness.

We believe that Extant ISA 570's requirement is clearer and is agnostic of the accounting framework and we suggest the revised standard not deviate from extant ISA 570, which states as follows: Paragraph 13: *"In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer 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?

We do not support the enhanced approach that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances.

We feel that this proposal goes against the risk-based auditing principles and may not add value to certain audits. With the proposal to enhance the risk assessment procedures, the auditor should be able to obtain an understanding of the entity and its environment, the accounting framework and the system of internal controls, from the going concern perspective. With this robust understanding, events or conditions that may cast significant doubt may become evident. The costs of performing an evaluation of management's assessment will significantly outweigh the benefits when there has been no heightened risk of material misstatement to warrant such an evaluation.

Further, many less-complex entities may have no formal process to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We believe that guidance is necessary to understand how to make this requirement scalable as management's close involvement with the business operations should compensate for the lack of a formal process to identify events or conditions.

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?

We agree that ED-570 has appropriately incorporated the concepts from ISA 540 (Revised) for the auditor's evaluation of the 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 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 believe that evaluating management's intent and ability adds more insight to the feasibility of management's specific plans for future actions. However, we also foresee practical implementation challenges. For example, audit evidence through a written confirmation of third-party's "intent" can be obtained however we may be unable to obtain audit evidence on their "ability" to support management's plan. In addition, intent can change depending on circumstances and is therefore difficult to audit and highly subjective, not to mention somewhat unreliable.

We acknowledge the valuable insight provided in paragraph A50, which emphasize the possibility of conducting "inquiry of external financial providers" to compensate for the lack of written confirmation from the third-party; however, if the financial provider is unwilling to affirm the occurrence of the financing arrangement, it is highly unlikely that inquiries alone will provide sufficient and appropriate

audit evidence. In our experience, financial providers are not agreeable to making these representations.

We believe that clarification and additional application material is required.

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?

We agree that the enhanced requirements help promote two-way communication with TCWG.

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?

We do not support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where laws, regulations or relevant ethical requirements require or establish responsibility for such reporting.

We believe the above new requirement is written in ED 570 Paragraph 40, which is similar to Paragraph 29 of ISA 250-*Consideration of laws and regulations in an audit of financial statements*. According to ISA 250 Paragraph 29, the auditor is required to ascertain whether the applicable laws and regulations necessitate the reporting of identified or suspected instances of non-compliance. The new requirement in ED-570 treats the inclusion of the "Material Uncertainty Related to Going Concern" section in the audit report in the same manner as identifying or suspecting of an instance of non-compliance with laws and regulations. This would be too onerous for the auditor.

If laws and regulations of certain jurisdictions require the auditor to report to a supervisory authority when a material uncertainty exists, the auditor's responsibility would be bound by the prevailing laws and regulations governing the jurisdiction in question. Explicitly mandating this action in ED-570 is not necessary.

We recommend that auditor's consideration of laws and regulations to be centralized within one standard, namely ISA 250.

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 do not support the requirements and application material intended to facilitate enhanced transparency about the auditor's responsibility and work relating to going concern. We do not believe it would always provide useful information for the intended users of the audited financial statements.

In our opinion, adding a separate section to communicate "going concern" basis of accounting on the auditor's report for all entities can be problematic such that it dilutes the importance of the going concern for those entities that do have a material uncertainty as users may become desensitized to seeing going concern language and may not pay attention in situations that indicate a going concern issue.

In addition, having a separate auditor's conclusion on going concern matters individually introduces the concept of "a piecemeal audit opinion". If the audit report includes conclusions on "an" audit standard, stakeholders may expect conclusions on other individual standards as well. We believe the slope is very slippery here.

We recognize the efforts in attempting to enhance transparency of the auditor's work relating to going concern, however, we believe that there is little or no benefit to these proposed requirements.

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).

We generally support the proposed auditor reporting requirement applicable to audits of listed entities, but we believe that these requirements discussed in paragraph 33(b) should be included in ISA 701 as Key Audit Matters.

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?

Further as noted in our response to question 2 we believe that when there is no material uncertainty or close call, that including this information in the audit report would add no value and dilute the audit report even for listed entities.

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 that our response to question 14 above would enhance clarity on auditor reporting on going concern under the various scenarios:

- No material uncertainty – no additional reporting on going concern; and
- Close calls and Material Uncertainty for listed entities – additional reporting included in Key Audit Matters.

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.

Nothing further.

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.

We are not aware of any issues related to the translation of the standards.

- (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.

We believe the 18-month effective date may be too short, especially considering translation requirements, firm's ability to develop and release additional methodology, as well as enablement, and training for the revised standard. A 24-month timeline would better benefit practitioners to allow time for effective change management, quality implementation guidance and sufficient training. We are also conscious of many other expected changes to standards upcoming that are making it difficult for practitioners and the public to keep pace with the changes. We encourage the IAASB to consider the pace of change in its strategic planning and only focus on those changes that are most critical.

We would be pleased to offer assistance to the IAASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

MNP LLP

Dana Ray

Dana Ray
Partner, Assurance Professional Standards Group

August 25, 2023

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West Toronto,
ON M5V 3H2

Dear Ms. DeGiobbi

We appreciate the opportunity to comment on the Auditing and Assurance Standards Board (AASB) Exposure Draft - Proposed Amendments to Canadian Auditing Standard (CAS) 570 – Going Concern (ED-570).

We are generally supportive of the proposals in ED-570 and believe most will enhance audit quality. We do, however, have some concerns relating to your specific questions and these are outlined in our responses below.

- 1. Do you agree that no Canadian amendments are required to ISA 570 (Revised 202X) to adopt it as CAS 570? If not, what Canadian amendments do you believe are required, and why?*

Many of the ISA 570 (Revised 202X) audit reporting proposals improve the transparency and clarity of the auditor's responsibilities relating to management's going concern assessment. However, we believe the proposals as currently drafted can be misinterpreted by users and may expand the expectations gap. As a result, we believe one amendment to the audit report should be required.

Specifically, we are concerned that users may misinterpret the statement added to the auditor's report "We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate". General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Without describing the standard applied to use the going concern basis of accounting, some users may interpret the statement in the auditor's report as providing assurance over the entity's ability to continue as a going concern and this could have the unintended consequence of diminishing the intended effect of more robust disclosures relating to material uncertainties that cast significant doubt on an entity's ability to continue as a going concern.

Accordingly, we believe that an additional explanatory sentence should be added to the auditor's report to add clarity, improve transparency, and maintain the quality of audit reporting. To communicate the standard that is applied by financial statement preparers and assessed by auditors, we suggest adding the following sentence after the statement concluding that the going concern basis is appropriate: "The going concern basis of accounting is appropriate for general purpose financial statements, other than when management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so."

This addition will clarify the standard used by auditors to assess whether the going concern basis of accounting is appropriate, improve transparency and reduce the possibility of misinterpretation. This addition to the auditor's report is not inconsistent with the proposed requirements in the ISA.

2. Do you believe the proposed revisions would create any implementation challenges for practitioners in Canada?

The IAASB notes that certain jurisdictions such as Australia, New Zealand, the United Kingdom, and the United States, have amended their national equivalent going concern standards to require the commencement date of the twelve-month period of management's assessment to be the date the financial statements are issued, approved or when the auditor's report is signed. In Canada, in assessing whether the going concern assumption is appropriate, the accounting standards require that management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

The ED- 570 proposals require the auditor to evaluate management's assessment of going concern from the date of approval of the financial statements. Under ED-570, the auditor's required going concern assessment period will be longer than the minimum required under Canadian accounting standards.

Unlike the jurisdictions noted above, practitioners in Canada will have the additional challenge of requesting management extend their assessment beyond the minimum required by accounting standards. While there is flexibility in the proposed standards for those circumstances where management is unwilling to make or extend its going concern assessment, there are many practical challenges that an auditor will face because the accounting standards are not fully aligned with the proposed auditing standards. Many private companies, not-for-profit and other entities may not prepare information beyond the minimum requirements of Canadian accounting standards, nor extend their assessment for an auditor. Auditors may encounter independence challenges or may not be able to provide an unmodified audit report.

As a practical matter, ED-570 will change the Canadian accounting standards as management's going concern assessment period will have to correspond with the assessment period evaluated by auditors. We encourage the AASB to engage with the Canadian Accounting Standards Board to introduce amendments to align the accounting and auditing standards consistent with other jurisdictions noted above.

3. Do you have any concerns with the proposed effective date for CAS 570, which is for audits of financial statements with financial reporting periods beginning on or after approximately 18 months from the IAASB's approval of ISA 570 (Revised 202X)? The proposed effective date for CAS 570 will be consistent with the anticipated effective date

of a revised CAS 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

No, subject to the AASB satisfactorily addressing the matters raised in questions 1 and 2.

If you have any questions or require additional information, please contact me at michael.walke@ccaq-ccqa.com

Yours very truly,



M. C. Walke
CEO
Canadian Centre for Audit Quality