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International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
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Sent via IAASB website using the "Submit a Comment" link: www.iaasb.org

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

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee (the "Committee") is the senior technical committee of CalCPA. CalCPA has approximately 42,600 members. The Committee consists of 55 members, of whom 44 percent are from local or regional firms, 31 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia, 5 percent are in international firms, and 2 percent are members in the business industry. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans, and governmental organizations.

The Committee is writing to share its views on the International Auditing and Assurance Standards Board's ("IAASB" or "the Board") proposed international standard of auditing ("Proposed ISA"), ISA 570 *Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*. We appreciate the Board's standard-setting proposal and the opportunity to provide our perspectives on the proposed standard.

We are generally in agreement with the proposals that the Board is adopting under ISA 570. Below are our specific responses to the Proposed ISA.

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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?

Yes; we agree that the proposals in ED-ISA 570 are responsive to the public interest.

2. Do you believe that the proposals in ED-570, considered collectively, will enhance, and strengthen the auditor's judgments and work relating to going concern in an audit of

financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?

Yes; we believe that the proposals in ED-ISA 570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

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

Yes; we believe that ED-ISA 570 is scalable to entities of different sizes and complexities.

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 ED-ISA 570 appropriately reinforces the importance of the auditor's application of professional skepticism into the requirements.

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"?

What is considered foreseeable future related to going concern? We suggest the definition conforms to the IFRS wording as it relates to going concern.

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; we support the introduction of enhanced risk assessment requirements to support a more robust identification of events that may cast doubt about the entity's ability to continue as a going concern.

7. Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)?

Yes; we support the change to twelve months from the date of approval of the financial statements for the period of management's assessment of going concern.

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, but we believe this evaluation of management's assessment should only for the listed companies. Users of financial statements for private companies have significantly more ability to interact with management and conduct their own assessments; the cost versus benefit of having non-listed companies design audit procedures around management's assessment of going concern *irrespective of whether events or conditions have been identified* appears to be very onerous and may not be consistent with audit risk assessment.

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

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 enhancement of the application material in extant ISA 570 to as it should lead to a more robust assessment of going concern.

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 support the enhanced requirements and application material to communicate with TCWG and believe it will provide beneficial and enhanced two-way communication.

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 the application materials.

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?

No, we do not support the requirements that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern because this opens up greater issues for potential litigation.

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?

Yes; we support the requirement for the auditor to include a description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in the auditor's reports for listed entities.

Should this be extended to also apply to audits of financial statements of entities other than listed entities?

No; see response to Question 8, above.

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

Yes; we agree that ED-ISA 570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern. We are not aware of any implications not addressed.

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; we are not aware of other matters.

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 comments 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.

We do not agree that early application should be permitted because auditors' reports lose comparability and this may cause confusion among users of financial statements.

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We thank you for the opportunity to comment on these matters. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,



Gary L. Krausz, Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants