

REQUEST FOR COMMENTS

Guide for Respondents

- The IAASB welcomes comments on all matters addressed in ED-570 (Going Concern), but especially those identified in the Request for Comments section. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and make specific suggestions for any proposed changes to wording. Respondents are also free to address only questions relevant to them. When a respondent agrees with proposals in ED-570, it will be helpful for the IAASB to be made aware of this view as support for the IAASB’s proposals cannot always be inferred when not stated.
- Respondents are asked to comment on the clarity, understandability and practicality of application of the requirements and related application material of ED-570. In this regard, comments will be most helpful if they are identified with specific aspects of ED-570 and include the reasons for any concern about clarity, understandability and practicality of application, along with suggestions for improvement. When a respondent agrees with the proposals in ED-570, it will be helpful for the IAASB to be made aware of this view.

Comments are requested by August 24, 2023

Name of Respondent:

Laura Grajeda Trejo



Organization (where relevant):

Instituto Mexicano de Contadores Públicos, A.C.

Country/Region/Jurisdiction:

México

Overall Questions

Response: Nothing in particular in addition to the comments provided below. We congratulate the IAASB for taking forward this very important initiative which will benefit a great part of the business community and the practitioners.

- 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?**

In general, based on the information provided in Appendix I, it can be argued that the proposals in ED-570 are responsive to public interest. They seek to strengthen the auditor's role in the going concern assessment, improve transparency in report presentation, and align with the qualitative characteristics of the standards enactment to guarantee an effective and consistent implementation in all jurisdictions.

- 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?**

Based on the foregoing, we believe that the ED-570 proposals, considered collectively, will enhance and strengthen the auditor's judgments and work related to going concern in an audit of financial statements, including the transparency improvement through communication and reporting of the auditor's responsibilities and work.

- 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 the proposed standard 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?**

The requirements and application material of ED-570 are designed to reinforce the auditor's application of professional skepticism in relation to going concern. The ED includes a series of new requirements that aim at strengthening the auditor's evaluation of the management's assessment related to going concern, and the application material provides guidance on how to put these requirements into practice.

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"?**

We agree with the definition of Material Uncertainty (related to going concern) and the application material to this definition clarifying the phrase "may cast significant doubt," in addition to the statements in paragraphs 19 to 24 of the "explanatory memorandum" of the ED, given that the concepts of "the magnitude of its potential impact and likelihood of occurrence" (of the events or conditions) are established in paragraph 10 of the proposed standard as the basis to guide the

auditor's judgment, clarifying in paragraph A5 of the application material that the significant doubt occurs when the magnitude, individually or collectively, of such events or conditions is such that the entity will be unable to meet its obligations and continue its operations for the foreseeable future, unless remedial actions are taken to mitigate the effects...

The definition has components that provide direction to understand what a material uncertainty that may cast significant doubt (related to going concern) is, together with the necessary application of the auditor's judgment, and which allow to guide the auditor's work to comply with the objectives provided in paragraph 9 of the standard.

- 6. DOES ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?**

Yes, the proposed standard is based on and consistent with the ISA 315 (Revised 2019) to strengthen the identification process of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including risk assessment procedures and related activities.

- 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 disagree with the proposed change since we consider it more appropriate for the 12-month period to begin as of the date of the auditor's report. This alternative takes into account that there are different factors that may cause the report to be issued on a date subsequent to that on which financial statements are approved and that the period in between these dates could be important.

- 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 agree with this requirement. The fact that management would not have identified events or conditions that may cast a significant doubt is insufficient for the auditor to stop conducting tests to evaluate the assessment. Professional skepticism must prevail.

- 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 with the incorporation of the mentioned concepts.

- 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?**

We consider that the enhanced requirements and application materials are appropriate.

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 consider that the communication requirements with TCWG and application materials enhance the 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?

We consider this additional requirement to be redundant and unnecessary in this standard, since local jurisdiction requirements must be observed in all cases.

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 consider that the requirements and application materials enhance transparency about the auditor's responsibilities and work relating to the evaluation of the going concern.

We agree with the fact that requirements provide useful information for the users of audited financial statements given that these require using language appropriate to the circumstances and avoiding the use of generic terms that may cause lack of transparency in the auditor's report.

We consider that the proposal will globally allow for greater consistency and comparability of audit reports.

On the other hand, we consider important to add in the paragraph related to the going concern in the auditor's report that there are inherent limitations on the auditor's responsibility to detect events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

14. This question relates to the additional implications for the auditor's report for audits of financial statements of listed entities, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).

Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?

We agree with the fact that it should only apply to 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.

It is clear that the ED-570 addresses all implications of the auditor's report relating to the conclusions and communications about going concern.

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.

None.

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 see no potential translation issues.

- (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 consider that the 18-month period is adequate for an appropriate implementation process.