

BASIS FOR CONCLUSIONS CANADIAN AUDITING STANDARD (CAS) 570, Going Concern

September 2009

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Auditing Standard 570, *Going Concern*.

Background

In February 2007, the International Auditing and Assurance Standards Board (IAASB) issued its Exposure Draft of International Auditing Standard (ISA) 570 (Redrafted), *Going Concern* (ED-ISA 570). The IAASB approved ISA 570 as a final ISA in March 2008 subject to confirmation by the Public Interest Oversight Board that due process was followed. This confirmation was received in July 2008.

In March 2007, the AASB issued its ED to adopt proposed ISA 570 as CAS 570 (ED-CAS 570). Section 5510, RESERVATIONS IN THE AUDITOR'S REPORT, contains three application and other explanatory paragraphs dealing with going concern matters. There are also a few references to going concern matters in application and other explanatory material in other existing Sections. All the requirements in CAS 570 are new. There were 7 respondents to ED-CAS 570 (identified below).

The AASB approved CAS 570 in September 2008. The Auditing and Assurance Standards Oversight Council reviewed due process followed by the AASB in the development of this CAS prior to its issuance in the CICA Handbook – Assurance.

Purpose of this Basis for Conclusions

This Basis for Conclusions has been prepared to make Canadian stakeholders aware of the following.

- (a) A Basis for Conclusions prepared by IAASB staff for ISA 570 is available on the IAASB web site, and provides information on how the IAASB dealt with comments received on significant matters in response to the ED-ISA 570.
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its ED-CAS 570 is also available. This information is set out below.

Significant Matters

AASB's Consideration of Amendments to ISA Wording

1. CAS 570 contains no amendment to the ISA wording. This is consistent with the position taken by the AASB in ED-CAS 570. No respondent requested an amendment. However, as noted below, a change has been made in illustrative auditor's reports.

Use of the Phrases "present fairly" and "give a true and fair view"

2. As stated in Appendix 3 of the *Preface*, throughout the ISAs (including ISA 570), when referring to the auditor's opinion on financial statements, two possible wording choices are referenced — "present fairly, in all material respects," or "give a true and fair view of" (when the auditor expresses an adverse opinion the wording choices are "do not present fairly (or give a true and fair view)"). In Canada, governing legislation often requires the use of (and it is generally accepted practice to use) the phrase "present fairly, in all material respects." Therefore, in illustrations of auditor's opinions throughout the CASs (including CAS 570), the phrase "present fairly, in all material respects," or "do not present fairly," as appropriate, is used and no reference is made to the phrase "give a true and fair view."

Other Matters

References to International Accounting Standards

3. CAS 570 makes reference to International Accounting Standard (IAS) 1, "Presentation of Financial Statements," in paragraphs 3, A10 and A19. CAS 570 also makes reference to corresponding International Public Sector Accounting Standard (IPSAS) 1 in paragraph A1. Further, CAS 570 includes accounting terminology that does not exactly match with that contained in Canadian generally accepted accounting principles. Consistent with the approach taken by the AASB in finalizing other CASs, references to international accounting standards and use of international accounting terminology have not been replaced by references to Canadian accounting standards and use of Canadian accounting terminology. The reason for the AASB's position is that these references and accounting terminology in the CASs are illustrative in nature, and the CASs, like the ISAs, are designed to enable the auditor to audit financial statements prepared using any acceptable financial reporting framework.

List of Respondents to ED-CAS 570

Auditor General Alberta

BDO Dunwoody LLP
KPMG LLP
Office of the Auditor General of Canada
Ordre des comptables agréés du Québec
Provincial Auditor Saskatchewan
The CAAA Assurance Exposure Draft Comment Committee

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