



**The Japanese Institute of
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International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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JICPA Comments on the Proposed International Standard on Auditing, ISA 570 (Redrafted),
Going Concern

The Japanese Institute of Certified Public Accountants (“we”, “our”, “us” and “JICPA”) is pleased to provide you with our comments on the Proposed International Standard on Auditing, ISA 570 (Redrafted), *Going Concern* (“Proposed ISA”). Based on our review, we have the following comments:

Requests for Specific Comments

1. Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

(Comment)

Yes, the objectives to be achieved by the auditor are appropriate.

2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?

(Comments)

Please see our “Other Comments” below.

Other Comments

Paragraphs 1, 10, 12 and 16

In considering the consistency with other redrafted ISAs, the interaction of the Proposed ISA with the audit risk ISAs is not clear. We propose the following addition and revision:

Addition to the end of Paragraph 1:

“Specifically, it expands on how ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment” and ISA 330 (Redrafted), “The Auditor’s Responses to Assessed Risks”.

Revision of the first sentence of Paragraph 10:

“As part of the risk assessment procedures required by ISA 315 (Redrafted), ~~When performing risk assessment procedures to obtain an understanding of the entity~~ the auditor shall:”

Addition to the first sentence of Paragraph 12:

“In identifying and assessing the risks of material statement as required by ISA 315 (Redrafted), the auditor shall evaluate...”

Addition to the first sentence of Paragraph 16:

“As part of the responses to assessed risks required by ISA 330 (Redrafted), when events or conditions have been identified...”

Paragraph 20

In ISA 705, currently under revision, when the opinion is modified by a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed, a basis for the modification is conditionally required to be described in the auditor’s report(*) . Paragraph 20 should be revised to be consistent with ISA705.

(*) Paragraph 18 of Agenda Item 3, *ISA705* in IAASB Main Agenda (February, 2007)

If there is a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed, the auditor shall describe in the Basis for Modification paragraph the nature of the omitted information and, unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information. (Underline added)

Paragraph 25

The first sentence should be revised considering the circumstances when the management is the same as those charged with governance as follows:

“Unless all of those charged with governance are involved in managing the entity and are aware of the matters already communicated by the auditor, the auditor shall communicate with those charged with governance about the events and conditions that the auditor has identified may cast significant doubt on the entity’s ability to continue as a going concern.”

Audit Documentation

As the proposed ISA has no requirement about audit documentation, the auditor prepares the audit documentation in accordance with ISA 230, *Audit Documentation*. To enhance the consistency of the audit practice, however, it is preferable that the Proposed ISA set out Requirements and Application and Other Explanatory Material that clarify the application of ISA 230 in the context of ISA 570.

Reference between Requirements and Application and Other Explanatory Material

In order to make clear the linkage to Requirements, Application and Other Explanatory Material should refer to the specific individual requirement whenever possible. For example, paragraphs A12 and A13 should refer to paragraph 15, not paragraph 12, 13 and 14, as they explain the context in which paragraph 15 is required.

In closing, we wish to express our appreciation for this opportunity to comment on this Proposed International Standard on Auditing and hope you will consider our comments.

Sincerely yours

Atsushi KATO

Executive Board Member - Auditing Standards

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