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Responsibility	Partner
Jurisdiction:	Zimbabwe
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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**?

We concur that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and the requirements and application for consideration 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?

If adherence to all the guidelines and procedures in the ED are followed, it is expected that this will strengthen auditor judgements and going concern work so long as there are no independence or other threats that will impair the auditor judgement if corrective and mitigating measures are not adopted.

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?

The intent of the ED toward scalability provisions are appropriate, applicable and understandable. The extent of application and following of the letter and spirit of the standard will be on the respective auditors. IT should not mean or be taken to imply that the requirements of going concern status is any less stringent, robust or rigorous.

4. Do the requirements and application material of ED-570 appropriately reinforce the auditor’s application of professional scepticism in relation to going concern?

It is trite that auditors are required to adopt professional scepticism and we believe its reiteration and emphasis in the ED is critical including challenge of management by all team members throughout the audit. Usually, the going concern numbers and data crunching is performed higher up the rank of the audit team but this should be part of the whole teams mandate as opposed to simply verifying numbers as they are fed to them.

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”?

Material uncertainty has long been a terminology used by auditors and we believe there is no real change from the extant version of the standard. 2 terms create a great degree of non-understandability viz “material” and significant” when considering the long form definitions. “Substantive” may be used in place of “material”. Since the issue of going concern is a matter of judgement, subjective, uncertain and with a limited basis (in terms of consideration of future-looking expectations), is the continued use of “significant” relevant and appropriate?

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?

ED 570 supports and builds on the risk identification and assessment as per ISA 315, explains why the risk assessment procedures and related activities for matters addressing going concern are relevant, and emphasize that the auditor uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of the standard.

Further, paragraph A10 of ED-570 draws attention to the foundational requirement in paragraph 13 of ISA 315 (Revised 2019) that requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.

The inclusion of examples, relevant to scalability to demonstrate how the nature and extent of the auditor’s going concern related audit procedures may vary based on the nature and circumstances of the entity and depending on the method, assumptions and data used by management to assess the entity’s ability to continue as a going concern further emphasises the building on the foundational requirements of ISA 315.

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 concur.

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, we are in support of this. What needs to be incorporated in auditor training is how to adopt professional scepticism and deal with estimation uncertainty, subjectivity, complexity and inherent risk in determining the appropriateness of the going concern assumption/basis.

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 new requirement in paragraph 19 to evaluate the method, assumptions and data used by management to make its assessment of going concern and that of application material paragraphs A34–A37 that facilitate the auditor to more appropriately challenge the method, assumptions and data used by management to make its assessment, including to consider the risk of management bias.

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, the enhanced requirements and application material is relevant and 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?

In theory, it should enhance two-way communication and encourage transparent dialogue.

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?

The Auditor has to be clear what exactly they are reporting to external authorities and the extent of their duty to report to avoid conflicts and disputes. Uppermost should always be to comply with all laws and regulations (and report if required by these instruments to do so) and maintain their professional behaviour and ethical obligations.

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?

Yes, we support the separate reporting of going concern for all entities under the heading going concern, similar to the current "audit opinion" section of the audit report. In here it can be mentioned in relation to whether the auditor believes that the going concern assumption is appropriate or its not and explain. Going concern is more useful than simply reporting on historical financial information. By making it mandatory for all audits uniformity in reporting will be achieved enhancing comparability, consistency and usefulness.

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?

The reporting burden may become onerous but the benefits and enhancement of public interest requirements far outweigh the reporting obligations, hence we believe that all audited financial statements should contain 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) albeit in an abridged form for non-listed entities. This is for purposes of comparability and uniformity across all reporting 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.

ED570 does broadly and granularly address instances when a material uncertainty exists and when it does not and the procedures to adopt. Notwithstanding, events and circumstances may require amendments and re-calibration fit for purpose.

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.

This will be answered by each country's regulator although none is envisaged.

(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 agree.