



Exposure Draft (ED)570: Proposed International Standard on Auditing
570 (Revised 202x) Going Concern and Proposed Conforming and
Consequential Amendments to Other ISAS

Response from the Public Accountants and Auditors Board (PAAB), Zimbabwe

24 August 2023

The Public Accountants and Auditors Board (PAAB), Zimbabwe, was established by section 4 of the Public Accountants and Auditors Act, 1995 (as amended) (the Act). Public accountants (public auditors) are defined in the Act as any person registered by the PAAB to provide public accountancy services (public audit services) to any person, including a public company or statutory body. PAAB is the National Standards Setter in Zimbabwe responsible for endorsing and adopting international accounting standards, international standards on auditing and international public sector accounting standards when they meet certain criteria for prescription by statutory regulation by PAAB in accordance with section 44(2)(a) of the Act. PAAB is responsible for defining and enforcing ethical practice and discipline among registered public accountants and public auditors and setting Ethics standards (section 5(1)(d) of the Act); and representing the views of the accountancy profession on national, regional, and international issues (section 5(1)(g) of the Act). PAAB also plays a role in accountancy-specific education (section 5(1)(h) of the Act).

Further information about PAAB can be obtained at www.paab.org.zw

Any questions arising from this submission should be directed to:

Admire Ndurunduru
Secretary
Public Accountants and Auditors Board
72 Harare Drive
Mount Pleasant
Harare
Zimbabwe

Tel: + 263 4 301 063, + 263 4 301 096

Mobile: + 263 772 833 555

Email: secretary@paab.org.zw



PAAB

PUBLIC ACCOUNTANTS AND AUDITORS BOARD

72 Harare Drive, Northwood, Mt Pleasant

Harare, Zimbabwe

Tel: +263 242 301 063, +263 8644 106 548

secretary@paab.org.zw

www.paab.org.zw

The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue
New York

24 August 2023

PAAB ZIMBABWE COMMENT LETTER TO THE IAASB EXPOSURE DRAFT (ED)570: PROPOSED INTERNATIONAL STANDARD ON AUDITING 570 (REVISED 202X) GOING CONCERN AND PROPOSED CONFORMING AND CONSEQUENTIAL AMENDMENTS TO OTHER ISAS

Dear Chairman,

We are writing on behalf of the Public Accountants and Auditors Board Zimbabwe to comment on the IAASB Exposure Draft (ED)570: Proposed International Standard on Auditing 570 (Revised 202x) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAS. PAAB is pleased to present its comments on this Exposure Draft.

General Comment on the Consultation paper

The PAAB agrees that the proposals considered collectively will enhance and strengthen the auditor's judgements and work relating to going concerns and the proposals are responsive to the public interest. The PAAB believes that the proposed standard is scalable to entities of different sizes and complexities. We however have concerns with some of the proposals, as described in our responses herein.

The PAAB followed a due process in coming up with this comment letter. Under the due process the PAAB technical staff conducted research, consulted key stakeholders, and drafted this comment letter.

Response to Specific Matters for Comment

Detailed comments on the Specific Matters for Comment are provided in the attached Annex.

Admire Ndurunduru
Secretary, PAAB

Nyasha Chakuma
Technical Standards, PAAB

ANNEX 1: Exposure Draft (ED)570: Proposed Standard on Auditing 570 (Revised 202x) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAS

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?

The PAAB agrees that the proposals are responsive to the public interest. Requirements such as enhanced communication with those charged with governance, the more robust going concern assessment, the consideration of information from third parties and the transparency about going concern in the auditor's report are responsive to 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?

The PAAB agrees that the proposals considered collectively will enhance and strengthen the auditor's judgements and work relating to going concern. The auditor's judgements will be enhanced by the risk assessment and the audit procedures that are now required to evaluate management's assessment of the going concern assumption. The qualitative characteristics that have been considered in coming up with the proposals will also enable the auditor to exercise judgement that is more appropriate and relevant given the circumstances of the audit client.

(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 PAAB believes that the proposed standard is scalable to entities of different sizes and complexities a notable inclusion is the consideration of owner managers and in larger entities those charged with governance. The fact that listed entities have additional requirements assists in enhancing public interest in larger entities and for smaller entities the lessor requirements also have an impact on the cost benefit analysis of an audit i.e., the audit does not become overly expensive in order to meet standard's requirements. To further assist in application of the standard we recommend that the Board consider providing

additional non authoritative guidance to assist smaller entities specifically in the evaluation of the methods, assumptions and data used by management to perform its assessment.

(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, the PAAB agrees that ED570 reinforces the auditor to the application of professional skepticism when performing going concern assessments. The reinforcement will impact auditor's work positively in that there would be awareness of the need to look out for potential bias intentionally or unintentionally by both the auditor in conducting the audit or by management in carrying out their assessment of going concern.

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"?

The PAAB agrees with the proposed definition of material uncertainty as well as the definition clarifying the phrase "may cast significant doubt." The definitions can impact the scope of work that the auditors will perform, and an alignment with financial reporting frameworks reduces the understanding gap between preparers and auditors. It is therefore important to clarify the phrase "may cast significant doubt".

(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?

The PAAB agrees that ED 570 is appropriately build on the foundational requirements in ISA 315 (Revised 2019). We also support the need to address scalability with regards to the entity being audited in the building up from ISA 315 (Revised). 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)?

To promote consistent practice, PAAB supports the proposed commencement date of the twelve-month period from the date of approval of the financial statements as defined in ISA 560.

(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?

The PAAB support the enhanced approach 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. This approach will have a positive impact on audit quality and appropriateness of the audit opinion.

The PAAB recommends that in the formulation of the education material for the final standard, there is need for the incorporation of 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?

PAAB agreed that 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 have been appropriately incorporated without necessarily repeating requirements from ISA 540 (Revised) which is commendable.

(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?

The PAAB supports enhanced the requirements and application material. The provision of for when finance providers are reluctant to confirm to an entity or the auditor that borrowing facilities will be renewed, will assist more consistency in exercising judgement especially in jurisdictions such as Zimbabwe where such instances are prevalent due to the prevailing economic circumstances.

(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?

The PAAB agrees as communicating with TWCG encourages early transport dialogue between the auditor, management and TCWG. Communication between the auditor and TCWG about going concern supports reduced potential bias by the auditors in conducting their work.

(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 PAAB 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 and we recommend that 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) 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?

PAAB supports the proposals as we believe that they enable greater consistency and comparability across auditor's reports globally. Care will need to be given to ensure that appropriate clear wording is used to avoid a perception that a discrete opinion is being provided for going concern of the entity.

(14) 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 PAAB supports the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern but however suggests that this should not apply to audits of financial statements of entities other than listed entities. The current proposal supports the scalability objective of the board.

(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.

The PAAB received divergent views on this question from its stakeholder consultations and the responses were as follows:

Response1:

PAAB is supportive of the requirements and application material that facilitate further enhanced transparency about the auditor’s responsibilities and work relating to going concern for listed entities.

Response 2:

We do not support having the proposed standard address all implications for the auditor’s report related to going concern. For example, we do not agree with the content of paragraph A1 of the proposed standard which expands the items addressed by this standard instead of ISA 701. We also believe it is inappropriate to not consider the existing reporting requirements in ISA 700 related to going concern and we are not supportive of potentially having multiple sections of the auditor’s report discuss going concern matters.

(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.

PAAB has no other matters to raise in relation to ED-570?