

28 August 2023

Mr Tom Seidenstein
Chairman
International Auditing and Assurance Standards Board (IAASB)
545 Fifth Avenue
New York
10017 USA

Submitted electronically: [IAASB website](#), WillieBotha@iaasb.org

Dear Mr Seidenstein

COMMENTS ON THE IAASB'S PROPOSED INTERNATIONAL STANDARD ON AUDITING 570 (REVISED 202X), GOING CONCERN, AND CONFORMING AND CONSEQUENTIAL AMENDMENTS

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, as well as the promotion of investment and, ultimately, employment in the republic.

We appreciate this opportunity to comment on the proposed International Standard on Auditing 570 (Revised 202X), *Going Concern*, and conforming and consequential amendments (ED-570), developed by the IAASB.

Our response has been prepared by a Committee for Auditing Standards (CFAS) Task Group, which comprised an academic, technical staff representatives from auditing firms, a consulting firm, members of the Pan African Federation of Accountants' Ethics, Audit and Assurance Technical Advisory Group, an independent consultant and the South African Institute of Chartered Accountants.

The comments are presented under the following sections:

- A. General Comments;
- B. Request for Specific Comments and Responses; and
- C. Editorial Comments.

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Established in terms of the Auditing Profession Act 26 of 2005 (as amended).

If further clarity is required on any of our comments, kindly email us at imtegha@irba.co.za.

Yours faithfully,

Signed electronically

Imran Vanker

Director: Standards

Ian Mtegha

Professional Manager: Standards

A. GENERAL COMMENTS

1. The IRBA welcomes and supports the IAASB's revision of the International Standard on Auditing (ISA) 570, *Going Concern*.
2. We view this as an important project that may address issues related to restoring confidence in the auditing profession and the audit product. Additionally, we agree with the IAASB's media comments that conditions such as war and the pandemic have heightened risks and focused attention on the challenges and issues related to auditors' responsibilities and work associated with management's assessment of an entity's ability to continue as a going concern.
3. Despite the support that we express for ED-570 above, we underscore that it is the responsibility of management to make the going concern assessment in the preparation of the financial statements. The alignment of the responsibilities of management and the auditor in the auditing standards is thus imperative. Also refer to paragraphs 41 and 47 of this comment letter in this regard.
4. It is then worthwhile to remember that as part of an audit of financial statements, in accordance with the ISAs, auditors also conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. That means that when auditors express an unmodified opinion, they have drawn reasonable conclusions, based on the audit evidence obtained, on whether management's use of the going concern assumption in the preparation of the financial statements is appropriate.
5. To this end, there are several matters discussed under section B that we would like to bring to the IAASB's attention, where ED-570 could be further strengthened. This reinforcement is necessary to close the gap between the proposals and the need to address shortcomings in audit quality.
6. Further strengthening of ED-570 is needed in respect of the design and performance of risk assessment procedures in order for the auditor to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including whether a material uncertainty exists.
7. The lack of preparation of sufficient audit documentation remains a key inspection finding in South Africa.^{1 2} Therefore consistent application and documentation of the requirements of the standards, including ED-570, will also support internal and external monitoring functions. We expand on these points further in our comments that follow.

B. REQUEST FOR SPECIFIC COMMENTS AND RESPONSES

Overall Questions

Question 1

¹ IRBA [Public Inspections Report on Audit Quality 2022](#).

² IRBA [Annual Enforcement Report 2022](#).

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**?

8. We 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**.

Question 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?

9. 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.

Question 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?

10. Yes, ED-570 is scalable to entities of different sizes and complexity, 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. However, consideration should be given, for example in paragraphs 12, 17 and 29 of ED-570, to strengthening the scalability requirements and further application material for entities where there are no risks identified relating to the going concern basis of accounting of the entity, including the inclusion of the need for the auditor to exercise professional scepticism.

Question 4

Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?

11. In addition to the changes arising from our response to question 3 above, the requirements and application material of ED-570 could be strengthened to appropriately reinforce the auditor's application of professional scepticism in relation to going concern.
12. We recommend that more robust references to professional scepticism be considered by the IAASB in respect of:
- Evaluating management's assessment when challenging their significant assumptions and judgments;
 - The appropriateness of the period of management's assessment;

- The period beyond management’s assessment. ED-570 focuses on making inquiries of management, acknowledging the limitations of the audit and the auditor’s responsibilities regarding the period beyond management’s assessment. Our recommendation is to make a more explicit reference to the exercise of professional skepticism by the auditor, considering their knowledge of relevant events or conditions;
 - The implications if management refuses to make an assessment or refuses to extend the period of assessment;
 - The evaluation of management’s plans for future actions, and challenging management as to why these plans are feasible and are likely to mitigate the situation;
 - When doing the stand back overview consider overarching impact, across components of a group, and whether assumptions and judgments have been applied consistently across the group; and
 - In paragraph A55 of ED-570, regarding a delay between the date of the auditor’s report and the date the financial statements are issued, when such delay relates to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. It would be critical to exercise professional scepticism in these circumstances, in considering the reasons for the delay, whether these may relate to going concern matters, and the implications.
13. Also, the IAASB may want to consider including in paragraph A32, under the section on contradictory information, an example relating to information from external sources, to highlight that information from these sources can also be contradictory to management’s assertions.

Specific Questions

Question 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”?

14. In South Africa, the use of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), are a requirement of the Companies Act 71 of 2008. Flowing from this, the IFRS use the term “material uncertainty”³ and, as a result, we support the introduction of a definition for “Material Uncertainty (Related to Going Concern)”. While we understand that the ISAs are meant to be framework-neutral, the IAASB’s work to consider and align the definitions and terminology may promote greater understanding and consistency across jurisdictions.
15. To ensure that the Material Uncertainty definition is applicable to both the auditor and the management of the entity, we recommend that the IAASB considers defining it as follows: “An uncertainty related to events or conditions that, individually or collectively, the magnitude of its potential impact and likelihood of occurrence is such that it may cast significant doubt on the entity’s ability to continue as a going concern”. Where the aforementioned material uncertainty definition has been met as outlined in paragraph 30 of ED-570, the auditor must then be required to perform procedures on the financial statements, to ensure that any appropriate

³ International Accounting Standard 1, *Presentation of Financial Statements*.

disclosure of the nature and implications of the uncertainty is made by the management of the entity, to achieve fair presentation in the case of a fair presentation framework or for the financial statements not to be misleading in the case of a compliance framework.

16. For auditors to consistently apply the concept of material uncertainty, our recommendation is that the application material in the second sentence of paragraph A5 that describes “may cast significant doubt” be rather moved to the requirements section of the standard and that the IAASB also consider defining or clarifying what is meant by “foreseeable future” as used therein.

Question 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?

17. We agree that ED-570 appropriately builds 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.
18. In addition, the IRBA welcomes the IAASB’s efforts to clarify that the auditor’s identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern is made before consideration of any related mitigating factors; and that events or conditions need to be considered both individually and collectively. However, the auditor’s consideration of such events or conditions would be strengthened if the language in the application material in paragraph A6 was incorporated directly into the requirement in paragraph 11 of ED-570.

Question 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)?

19. We conditionally support of the principle of the change in the commencement date of the 12-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), to ensure that management’s going concern assessment is reflective of current information pertaining to the entity.
20. However, we would have preferred that this change first be reflected in the accounting standards, for example, in the IFRS, to avoid any resistance from management to the auditor’s request, as per paragraph 21 of ED-570. Under IFRS, management is required to at a minimum

perform the going concern assessment 12 months from the date of the financial statements, as a result management is not obliged to extend it to 12 months from the date of approval of the financial statements.

21. The IRBA consulted preparers of financial statements regarding the application of paragraph 21 of ED-570 and received a written response from the CFO Forum, an interest group of the South African Institute of Chartered Accountants. Their comments addressed to the IRBA resulted from deliberations of the members of the CFO Forum, a discussion group formed and attended by the Chief Financial Officers of Johannesburg Stock Exchange (JSE) listed and larger state-owned companies – with members representing a significant part of South African business. The CFO Forum has broad sectoral coverage ranging from financial services, mining, retail, media, telecoms, medical services as well as paper and packaging. Its aim is to contribute positively to the development of South Africa's policy and practice on financial matters that affect business – such as government regulatory issues and initiatives, taxation, financial reporting, corporate law and governance, capital market regulation and stakeholder communications for enterprises. Their views are reproduced in paragraphs 22 to 23 hereunder:
22. Some preparers indicated that they do not have any concerns with regards to the changed period of the going concern assessment. They have followed a practice for a number of years already where they consider their going concern position with reference to a 3-year outlook of their solvency and liquidity positions.
23. Some preparers in South Africa (not the views of the IRBA) do not support the change in commencement date due to the following concerns:
 - The change in date creates additional administrative constraints and significant work on the date of approval/signing of AFS, whereas currently this work is done well in advance as it is based on information available as at the reporting date (for example 31 December 2022 instead of date of approval being 9 March 2023).
 - The period being the next 12 months from the reporting date includes the date on which the AFS are approved and signed (in our example 1 January 2022 to 31 December 2022 and 1 January 2023 to 31 December 2023) and the date of approval is therefore included in this period (in our example 9 March 2022 and 9 March 2023). It would be preferable to not change this period to approval date of the annual financial statements from one year to the next (i.e. 9 March 2022 to 9 March 2023) as this doesn't cover any reporting period in particular and doesn't align to the financial statements an entity typically reports on.
 - The going concern assessment is driven by an entity's balance sheet (Statement of Financial Position) at a point in time which is reported at a reporting date (either interim or year-end reporting) in terms of IFRS requirements. Applying the new requirement would be adding additional burden on the year-end process.
 - Practical implementation of this could lead to assumptions being made that the Statement of Financial Position on the approval date is not materially different to the one at the reporting date (i.e. year-end date), which we don't believe is the reason for the IAASB reconsidering the requirement in the first place.

24. We reiterate that the IRBA is not necessarily in agreement with all the preparer views that have been reproduced for the IAASB's consideration in paragraphs 22 to 23 above, particularly the second and third bullet points in paragraph 23.
25. To this end, and because the auditor should not be required to assess information that management would not be required to take into consideration when assessing the entity's ability to continue as a going concern in preparing the financial statements, we urge the IAASB to continue to engage with the IASB to encourage consistency between the IFRS and the ISAs.
26. We do not support the flexibility provided in application paragraph A44 of ED-570 that allows management to choose not to extend the period of assessment, based on providing additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. We submit that this will inhibit the consistent application of paragraph 21 of ED-570, resulting in difficulties for auditors, and for regulators when inspecting against the requirement on a consistent basis. We suggest that the IAASB considers putting forward a threshold as to when the extension of the period of the going concern assessment is required, if its view is that the extension may not always be required, as postulated in paragraph A44 of ED-570. Alternatively, additional wording is required in paragraph A44 to clarify under what circumstances the auditor may not need to make the request, as per paragraph 21 of ED-570.
27. We would like to highlight that paragraphs 16 and 23 of ED-570 are contradictory as management have to make a going concern assessment in terms of the financial reporting framework(s) and paragraph 16 of ED-570, it follows that the requirement in paragraph 23 should only apply to the extension as required by paragraph 21 of ED-570.
28. We also do not support the use of the word "... believe ..." in paragraph 23 of ED-570. We recommend that this be replaced with "assesses" or "concludes based on audit evidence that ...". Further, at the end of paragraph 23, the IAASB should consider inserting "... and the audit report."
29. Also refer to the second bullet point under paragraph 12 above.
30. The IAASB may want to look at including in the application material to paragraph 21 of ED-570 a scenario where the date of the approval of the financial statements changes from what the management of the entity previously communicated and the auditor's responsibility in that case, especially in less complex entities where such a process may be prone to multiple delays.
31. Lastly, depending on the requirements in the finalised standard, the IAASB may want to consider including a conforming and consequential amendment to ISA 210, *Agreeing the Terms of Audit Engagements*, for the auditor to include the requirement in paragraph 21 of ED-570 into the engagement letter. This will ensure that the management of the entity is aware of the request to extend its going concern assessment to 12 months from the date of approval of the financial statements as early as possible.

Question 8

<p>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</p>

the entity's ability to continue as a going concern?

32. We 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. This is because the going concern basis of accounting is a fundamental principle and/or assumption in the preparation of financial statements.
33. Therefore, it may be helpful for the IAASB to put forward minimum audit procedures that should be performed on management's assessment of going concern, including cash flow forecasts where applicable, while incorporating scalability into those procedures. This will assist in achieving consistent application of paragraphs 17 and 18 of ED-570.
34. Further, in respect of paragraph 19 and related application material in ED-570, the IAASB may want to consider clarifying that the nature, timing and extent of procedures to be performed should be responsive to the assessed risk of material misstatement(s).
35. The IAASB may also want to expand on paragraph A31 concerning the applicability of scalability in the requirement of paragraph 17, in addition to the example provided in paragraph A31 of ED-570.

Question 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?

36. ED-570 appropriately incorporates 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.
37. However, we suggest that the IAASB considers whether the use of terms such as method, assumptions and data used in management's assessment of going concern might lead the auditor to focus on mechanistic calculations or forecasts and exclude consideration of other relevant and significant factors, such as judgments made by management in the interpretation of key contracts or loan agreements relevant to going concern (i.e. qualitative factors may be relevant and important). For example, an entity may produce comprehensive forecasts with multiple scenarios and sensitivities. However, if the key driver behind the going concern assumption is whether an overseas government will grant mining rights to that entity, then the auditor needs to ensure that their evaluation focuses on this, alongside any supporting forecasts.
38. Also refer to the first bullet point under paragraph 12 above.

Question 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?

39. We 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.
40. To ensure a consistent application of ED-570 by auditors, the IAASB may want to consider describing further in the application material what is meant by "intent and ability", per the requirement in paragraph 27. Also, it should look at adding the following bullet point in paragraph A48 of ED-570:
 - Considering the consistency with other estimations in which management's plans for future actions (or a part thereof) are used.

Question 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?

41. The enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and will result in enhanced two-way communication with TCWG about matters related to going concern.
42. To this end, it may be worthwhile for the IAASB to include in the requirement of paragraph 39 that the timing of the auditor's communication with TCWG shall be throughout the audit engagement, as relevant. This is in line with paragraph A87 of ED-570 and paragraph A49 of ISA 260, *Communication with Those Charged with Governance*.
43. Further, the IAASB may want to consider including application material highlighting that TCWG should have oversight over management's going concern assessment, for example, linking paragraphs 12(f), A19 and A20 in the application material to paragraph 40 of ED-570. This point also extends to questions 7 and 8 of ED-570.

Question 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?

44. We are supportive of the proposals in ED-ISA 570 to report to an appropriate authority outside of the entity, where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting. In South Africa, an example of the requirement in paragraph 40 of ED-570 to report to an appropriate authority outside the entity (the IRBA) would arise from the Auditing Profession Act, as amended (the APA), which requires an auditor to report certain matters, under specific circumstances, as set out in the APA.

45. Also, the IAASB may look at including additional application material for the auditor to consider the timing of such a report, to encourage early reporting of relevant matters when they are identified, not when the auditor's report is issued. An example of such wording from the APA is "where a registered auditor of an entity that is satisfied or has reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity must, without delay, send a written report to the IRBA". Such wording can be amended as appropriate to the IAASB's requirements.
46. In addition, the IAASB may want to consider referencing the International Ethics Standards Board for Accountants' non-compliance with laws and regulations requirements in the application material to paragraph 40 of ED-570, as it may be relevant, depending on the circumstances that the auditor encounters on an audit.
47. Further, the IAASB may want to explore whether the auditor can be further encouraged to consider the value for public interest of reporting significant going concern matters to an appropriate authority, even where the auditor has no such responsibilities under law, regulation or relevant ethical requirements to make such a report.

Question 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?

48. We support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern. The proposals in ED-570 provide useful information for intended users of the audited financial statements and enable greater consistency and comparability across auditor's reports globally.
49. In addition, we recommend that the information provided in the auditor's report regarding going concern should be reinforced by including a statement that the scope of an audit does not include assurance on the future viability of the audited entity or to the efficiency or effectiveness with which management has conducted the affairs of the audited entity. This will help stakeholders, including investors, better understand the role of the auditor in relation to going concern and, as a result, reduce the expectation gap.
50. Given the importance of paragraphs 33(a), 34(a)–(c) and 34(e), we suggest that the placement thereof in the auditor's report be prescribed by ED-570. We suggest that the standard should prescribe that the "Going Concern" or "Material Uncertainty Related to Going Concern" paragraphs be placed after the Basis for Opinion paragraph but before the paragraph dealing with Key Audit Matters (where applicable).
51. We further suggest that the heading of the separate section in the auditor's report, as required

by paragraph 33 of ED-570, be “Going Concern Basis of Accounting” and “Material Uncertainty Related to the Going Concern Basis of Accounting” instead of the current proposals of “Going Concern” and “Material Uncertainty Related to Going Concern” respectively, as the former are better descriptions, for the purposes of the user’s understanding of the auditor’s report.

Question 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?

52. We are supportive of the requirements and application material that facilitate further enhanced transparency about the auditor’s responsibilities and work relating to going concern for audits of financial statements of listed entities.
53. However, we recommend that the IAASB consider expanding the requirements in paragraphs 33(b) and 34(d) to extend to or include public interest entities (PIEs) or for laws and regulations to specify certain categories of PIEs, to provide transparency for those entities in the public interest.
54. We also recommend that the disclosure in the auditor’s report required by paragraph 33(b)(ii) should not be required of the auditor until such time as management is required by the applicable financial reporting standards (e.g. IFRS Accounting Standards) to disclose an equivalent level of detail of their assessment in the financial statements. This is to ensure that the auditor does not provide original information about the entity in the auditor’s report.
55. We suggest that the reference to “the political and economic uncertainties faced by the Company...” in Illustration 2 of the Appendix may be misunderstood to imply that most listed entities would be in a close call scenario as listed entities generally face economic and political uncertainties. This may result in the inclusion of this paragraph in auditor’s reports as a matter of course, which is not our understanding of the intention of the proposals. We suggest that “political and economic” should be deleted from the illustrative auditor’s report.

Question 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.

56. Yes, it is 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 with ISA 701 or any other ISA).

57. We suggest that further clarification, including illustrative examples, may be required to provide guidance on when an auditor would reach a conclusion of expressing a qualified or an adverse opinion due to going concern issues. Although addressed in other statements, it is not clear in those statements or in ED-570 how the auditor should determine whether an issue that relates to going concern is "fundamental" and "pervasive."
58. For clarity, we suggest that paragraph A1 be moved to the requirements section of ED-570, under paragraph 1. Further, we recommend that paragraph A1 be split into two, with the second paragraph starting from "... In addition ...".

Question 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.

59. The IRBA recommends that application material be added to the requirement in paragraph 16 of ED-570, to make it clear that where the auditor has requested management to perform an assessment of the entity's ability to continue as a going concern, in the circumstances where management refuses to do so, the auditor modifies the audit opinion. This could draw on the language used in paragraph 4 that even where there is no explicit requirement for management to make a specific assessment, the preparation of the financial statements using the going concern basis of accounting requires management to assess the entity's ability to continue as a going concern.
60. We suggest that the IAASB should consider including additional application material to paragraph 30 of ED-570, to assist auditors in determining whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This will also enhance the consistent application of the requirement and the accompanying definition of "Material Uncertainty (Related to Going Concern)". A reference to paragraph A4 of ED-570 may also be relevant for paragraph 30.
61. Given the fundamental importance of going concern in the preparation of the financial statements, the IAASB may want to consider strengthening the written representations provided by management by including an additional requirement, alongside paragraph 38 of ED-570. This would require the auditor to request management and, where appropriate, TCWG to provide written representations that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been disclosed to the auditor and included as part of management's assessment of going concern.
62. We recommend that, in addition to ISA 230, *Audit Documentation*, the IAASB considers overarching documentation requirements in the requirements section of ED-570, such as the following:
 - Key elements of the auditor's understanding of the entity and its environment, including the entity's system of internal control related to going concern;
 - Indicators of possible management bias related to going concern, if any, and the

auditor's evaluation of the implications for the audit;

- Significant judgments relating to the auditor's determination of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements;
- Significant judgments relating to the auditor's determination of whether or not a material uncertainty related to going concern exists; and
- Significant judgments relating to the auditor's determination of the appropriateness of management's disclosures in the financial statements.

63. The IAASB may also want to consider moving paragraph 13 and placing it after paragraph 15 of ED-570, as that will provide a better logical flow of the requirements.
64. The relevance of paragraph A3 to paragraph 3 of ED-570 is not clear; as a result, we propose that the IAASB should delete A3.

Request for General Comments

Question 17(a)

Translations—Recognising 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.

65. The IAASB standards are not translated in South Africa. Further, we do not foresee translation issues regarding the Afrikaans illustrative auditor's reports published by the IRBA as guidance for registered auditors in South Africa.

Question 17(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.

66. The IRBA agrees that given the need for national due process and the coordination of effective dates with the fraud project, an effective date for the standard to be for financial reporting periods beginning approximately 18 months after its final approval will provide sufficient time to support the practical implementation of the ISA. Further, early adoption is permissible and encouraged by the IRBA.

C. EDITORIAL COMMENTS

The editorial changes recommended below are denoted as ~~strike-through~~ for deletions and underlined for insertions.

ED-570 Paragraph Number	Recommended Editorial Changes to ED-570	Comment
Contents Page	Adequacy of Disclosures	Not applicable.
A45	Revise the assessment of the risks of material misstatement and modify planned audit procedures in accordance with ISA 315 (Revised 2019). <u>25</u> ²⁵	The footnote reference in the first sentence of the first bullet point should be in superscript.
