

24 August 2023

International Auditing and  
Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017  
USA

Dear Sirs

**COMMENTS ON PROPOSED INTERNATIONAL STANDARD ON AUDITING 570  
(REVISED 202X) GOING CONCERN AND PROPOSED CONFORMING AND  
CONSEQUENTIAL AMENDMENTS TO OTHER ISAS**

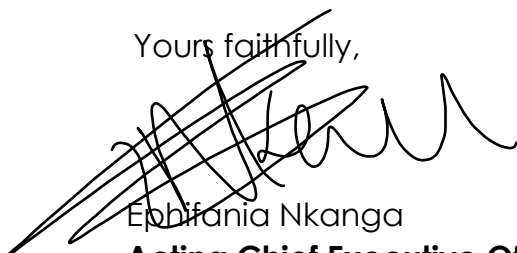
The Botswana Accountancy Oversight Authority (the Authority) takes this opportunity to comment on the Exposure Draft, Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to other ISAs.

The Authority is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our response to the questions in the Exposure Draft.

Kindly e-mail us at [enkanga@baoa.org.bw](mailto:enkanga@baoa.org.bw) or phone directly on +267 3919735, if further clarity is required on any of our comments.

Yours faithfully,



Ephifania Nkanga  
**Acting Chief Executive Officer**

## Appendix

### Overall Questions

#### Question 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?**

Yes, we agree. The ED enhances current audit procedures on management's going concern assessment while also reiterating the importance of professional scepticism. In this regard the ED does respond to public interest protection. Also, the incorporation of the qualitative standard setting characteristics such as scalability, proportionality, relevance, clarity, and conciseness, implementability and global applicability, and coherence demonstrates a comprehensive approach that aims to cater to the diverse needs of users, enhance understanding and ensure consistent application.

#### 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?**

Yes, we believe that the proposals of ED-570 when considered collectively will enhance and strengthen the auditor's judgments and work relating to going concern. The ED promotes a systematic approach to the assessment of going concern in the audit of financial statements, for example, more robust risk assessment procedures in planning for timely identification of events or conditions that may cast significant doubt on the entity's going concern, timely communication with those charged with governance, designing and performing audit procedures to evaluate management's assessment of going concern and inclusion of the auditor's work and conclusion regarding going concern in the auditor's report.

### 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?**

Yes, the proposed standard is scalable to entities of different sizes and complexities and will allow the auditor to exercise professional judgment in evaluating management's going concern assessment. The proposed standard also aims to provide guidance and requirements that are appropriate and proportionate to the specific entity's situation.

### Question 4

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

Yes, the requirements and application material of ED-570 support the auditor in applying professional scepticism, for example, Paragraphs A34-37 requires the auditor to evaluate and challenge the method, assumptions and data used by management to make its assessment including consideration of the risk of management bias. ED-570 further emphasises the importance for the auditor to exercise professional scepticism throughout the audit process.

### 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"?**

Yes, we support the definition of Material Uncertainty (Related to Going Concern) as set out in paragraph 10 of the Exposure draft. The definition is clear and is aligned to terminologies used in other financial reporting frameworks. We also support the application material to the definition clarifying, the phrase, "may cast significant doubt" as set out in paragraph A5. The clarification would be useful because it requires an assessment of the individual or collective magnitude of identified events or conditions to conclude that the circumstance "may cast significant doubt" and elaborates on the circumstance in which this phrase is used.

### **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?**

Yes, the ED-570 appropriately builds and aligns to the foundational requirements in ISA 315 (Revised 2019) in requiring the auditors to obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control continuously throughout the audit. The ED also expounds on the auditor's application of professional scepticism and judgment in evaluation of management's assessment of going concern. In this regard going concern assessment becomes an ongoing assessment from preliminary risk assessment through the audit to the period as prescribed by the proposed standard.

### **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)?**

Yes, we support the change in the commencement date of the twelve-month period of management's assessment of going concern to be the date of approval of the financial statements. This date would be of more value and more relevance to the users of the financial statements as economic decisions are made in real time and the further the period, the more relevant the assessment would be.

### **Question 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?**

We are in agreement of the proposal that the auditor performs procedures to evaluate management's assessment of going concern 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 ensures that the auditor's conclusion is informed and supported not only by management's assessment but by the auditor's procedures as well.

#### **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?**

Yes, the ED sufficiently incorporates the concepts from ISA 540 (Revised) for the auditor's evaluation of the methods, assumptions and data used in management's assessment of going concern as the ED incorporates the requirement for the auditor to design and perform audit procedures to evaluate management's assessment of going concern. Whilst wording from paragraphs 23-25 of ISA 540 (Revised) have not been applied verbatim, the principles have been applied as intended.

#### **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?**

Yes, we support the enhanced requirements and application material as it allows the auditor to obtain sufficient and appropriate audit evidence to inform conclusions on management's intent and ability to carry out specific courses of action or intent and ability of third parties or related parties, including the entity's owner -manager, to maintain or provide the necessary financial support. The proposed requirement is key as in certain instances, management's assumptions are entirely based on the occurrence of future events or commitment to support the entity by third parties e.g. shareholders or parent companies.

### **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?**

We agree that the requirement aims to promote transparency and timely communication throughout the audit between the auditor, management, and Those Charged with Governance (TCWG) especially in relation to issues on the Entity's ability to continue as a going concern. The requirement of beforehand communication with Those Charged with Governance also ensures that the auditor performs further procedures based on information provided by all relevant structures to support the conclusion.

### **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?**

We support the new requirement introduced in the ED for the auditor to consider whether law or regulation require or establish responsibilities under which reporting is required to an appropriate authority for circumstances when a Material Uncertainty Related to Going Concern is included in the Auditor's report or a modified opinion is issued. This will enable the Regulatory Authority to take necessary corrective action. Furthermore, the Auditor would have fulfilled their legal, regulatory, and ethical requirements responsibilities. The provision aligns to non-compliance with laws and regulations as provided in the IESBA Code of Ethics and is in the public interest.

### **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?**

Yes, we support the requirement to communicate in a separate section in the auditor's report explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether material uncertainty has been identified as this is consistent with the Board's objective to enhance transparency and accountability with respect to the auditor's responsibilities and work related to going concern. The disclosure would communicate to the users the extent of work performed by the auditor on management's assessment of going concern and therefore, reduces the expectation gap of the entity and the auditor on going concern. Some jurisdictions around the world have already introduced similar requirements like the Financial Reporting Council in the UK and this new requirement will enable greater consistency and comparability across auditors reports globally.

#### **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?**

Yes, it is prudent for the auditor to disclose procedures performed when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. However, we would like to encourage the IAASB to consider making this requirement applicable to "public interest entities" instead of just "listed entities" and they should do away with the conditional/judgemental aspect in the application guidance of whether to include it for other entities other than listed entities.

### **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.**

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. The going concern evaluation is also guided by the proposed standard and not any other standard.

### **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.**

None identified.

### **General Comments**

### **Question 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.**

No additional comments regarding translation.



**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 believe 18 months is a sufficient period to support effective implementation of the ISA.