

23 Aug 2023

International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, 10017 USA

**Dear Colleagues**

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the effort of IAASB and welcomes this opportunity to comment on the IAASB's Exposure Draft (ED), April 2023, "*Proposed International Standard On Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*".

SOCPA's interest in this project comes from its continuous efforts to provide sufficient technical support to accounting professionals, and users of their professional services. Thus, SOCPA is supportive of the IAASB's initiative to improve the auditing standards to protect the public interest, and respond to stakeholder's demands for enhanced transparency on going concern matter in the wake of corporate failures across the globe in recent years. SOCPA believes that the enhanced requirements and application material in ED-570 serves the purpose of enhancing audit procedures to evaluate management's assessment regarding an entity's ability to continue as a going concern, and the transparency in relation to the auditor's responsibilities and work related to going concern.

However, SOCPA suggests, at the same time, certain enhancements to the proposed revisions, which are further explained in its responses to the questions in the appendix.

The full details of our responses to the questions included in the ED are attached in the Appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

**Dr. Ahmad Almeghames**  
**SOCPA Chief Executive Officer**



## Appendix

### **SOCPA Comments on Exposure Draft (ED), April 2023, " Proposed International 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?**

We generally agree that the changes proposed in ED-570 respond to the public interest considering the qualitative standard-setting characteristics and project objectives. However, we may express concern with regard to the qualitative characteristics of “clarity and conciseness”. Some proposed paragraphs (specifically the application material) seem unnecessarily too long while the intended message can be conveyed in a more concise way or even enough to include the desired meaning in the main requirement paragraph. For instance, para. A62 was too long to convey the message that a management reaches the conclusion that “no material uncertainty” exists based on a significant judgement made by them. Additionally, although we support the approach used in drafting ED-570 which leverages other ISAs’ material by consistently referring to them, the excessive referencing to such materials appears sometimes influencing the understandability. It puts heavy burdens on users of the standard to keep track of the references as well as remember the intended contents of those referred requirements in other ISAs.

#### **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?**

We overall agree that the proposals in ED-570 could enhance auditors’ judgements and work relating to going concern in an audit of financial statements. This is based on the assumption that the incremental information in the audit report should enhance the audit quality as well as benefit the end users of the audit report. The proposals in ED-570 are helpful in providing a coherent approach for auditors to follow in fulfilling their responsibilities pertinent to going concern. Nonetheless, the proposals appear sometimes too detailed (e.g. the use of a long list of events and conditions to be considered in making an assessment (e.g. A6)) to the extent that it reinforces checklist mentality at the expense of stressing the practice of professional judgment and professional skepticism. The use of examples and a list of matters to be considered while making a judgment could be very helpful, but the point that we try to address is that a balanced approach that encourages auditors to use their sound professional judgment while providing sufficient (not very detailed) guidelines could be better to avoid the undesired understanding of the use of such detailed guidance.

The proposals in ED-570 expansively refer to the demand for auditors’ practice of their professional judgment to assess the appropriateness of an entity’s management use of going concern basis in preparing the financial statement under audit, whether an entity’s management has evaluated the entity’s ability to continue, the quality of management’s evaluation, the availability of material uncertainty (including the identification of going concern-related events and conditions, assessment of their impact, and the assessment of the impact of subsequent events

to the period of management’s assessment), the comprehensiveness of audit procedures to consider audit evidence (corroborative and contradictory types of audit evidence), and the appropriateness and sufficiency of audit evidence gathered. This requirement for auditors to heavily practice professional judgment has its limitations, and it could expose audit quality to criticism as auditors’ decision-making process will be overwhelmed with different judgments, some of which will relate to the quality of client management’s judgment which is an area of concern in itself. Communicating this heavy reliance on professional judgment (e.g. describing how they evaluate management’s assessment and future plans to respond to risks of going concern in the audit report) could ascertain the concern we expressed in the previous point. It has been evident in the auditing literature that auditing and documenting estimates is a profoundly challenging task. Thus, incremental requirements to document and communicate more judgments could result in an extra challenge to auditors in practice, and to regulators overseeing the work of auditors. For instance, it is espoused that an expanded audit report should help users to gain a better understanding of auditors’ responsibilities and their opinion on the financial statements, however, no explicit evidence of this has been found in the audit literature since the expanded audit report first required.

**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 proposals in ED-570 introduce the requirements in a way that we believe is appropriate for different scales of entities. For example, the use of terminologies such as “owner-manager”, “scalability,” and “smaller and less complex entities” within the proposals (e.g. A14, A38, & A54) shows clearly the message that auditors’ responsibility regarding going concern matters is relevant to all entities. We also believe the drafting of ED-570 shows some variations in the requirements considering the nature of certain entities (e.g., “other than listed entities”) which we found an important enhancement.

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

The drafting of the revised requirements and application material in ED-570 clearly acknowledges the need of auditors to practice professional skepticism when fulfilling their responsibilities in relation to auditing going concern matters. Different requirements and application material are drafted in ED-570 to emphasize the approach of being neutrally (“unbiased manner”) alert to obtain audit evidence, whether corroborative or contradictory, while designing and performing audit procedures (including assessing the risks) (e.g., paras. 18, 29, A10, A32). Although the proposals in ED-570 stress taking management bias into consideration when auditing management’s assessment of the entity’s ability to continue as a going concern, these proposals appear to support an auditor more to take a neutral stance while conducting audit procedures (e.g. considering alternative data, assumptions, methods, or explanations) and obtaining appropriate and sufficient audit evidence. Auditing literature presents valid evidence that auditors tend to exhibit a better practice of professional skepticism by focusing more on the possible existence of material misstatement (whether due to error or fraud), unreasonable or biased management’s assessment, or what has been described in auditing literature as “presumptive doubt.” This perspective has been used in drafting the professional skepticism requirements in ISA 240 (para. 13–15), but it should be noted that auditing literature shows that this perspective does not have to

be limited to the idea of only acknowledging the possible existence of fraud. Accordingly, we found, for instance, that the proposals in ED-570 introduced in A.7, A.57–60, and A.32–34 persuade the “presumptive doubt” approach as they guide auditors to focus more on the possible existence of management bias. Thus, in order to encourage better practice of professional skepticism by auditors, the drafting of the proposals in ED-570 should more consistently embrace “presumptive doubt,” specifically that ISA 570 is regulating the audit of an area of uncertainty (estimate) where management could be more persuasive of their judgments.

Additionally, we observed that the enhanced requirements in ED-570 do not provide clear guidance on how auditors should exercise professional skepticism when evaluating the adequacy of going concern disclosures in the financial statements. This can lead to varying degrees of scrutiny when assessing whether management has appropriately disclosed the relevant uncertainties. We also think that the enhanced requirements and application material in ED-570 lack practical examples illustrating how professional skepticism should be applied in real-world scenarios related to going concern assessments. Practical examples can be instrumental in helping auditors better understand how to exercise skepticism effectively.

### 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”?**

We strongly support the proposal of a particular definition of “Material Uncertainty (Related to Concern)” term for the purposes of ISAs since this term is a cornerstone in understanding and applying the requirements and application material proposed in ED-570. We believe the introduction of a definition would encourage consistent and better understanding of the risk associated with going concern matters. At first, we were not fully convinced of the use of bracketing in the term; however, we found the reasons introduced for such a decision reasonable, specifically that the use of bracketing allows, when appropriate, the use of a short form of the phrase (only “material uncertainty”). On the other hand, we found the deliberations about the possible use or non-use of the term “material uncertainty” in the financial reporting framework introduced in A.4 appears unnecessarily long. We believe that A.4 can be concisely redrafted to convey one particular message: that the term “material uncertainty” may or may not be found in the financial reporting framework, however, this does not change the auditor’s responsibility to conclude whether such a material uncertainty exists.

Additionally, we support the proposal to define the phrase “may cast significant doubt” since it is essential in defining the term “Material Uncertainty (Related to Going Concern)”. However, in our point of view, that para. A.5 should be redrafted to be more concise in conveying the intended meaning, taking translation into consideration, a challenge which we will be addressed later. For example, it might be better to leverage certain explanations about remedial actions and their possible impact on the uncertainty introduced in other parts of ED-570 (e.g., A.47) instead of loading up para. A.5 with extensive information, which makes it challenging to easily find and understand the definition.

#### **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 proposals in ED-570 appropriately serve the objective of maintaining overall coherent auditing standards since they consistently leverage the content of ISA 315 (Revised), specifically those related to the identification and assessment of risks related to going concern. We support the approach used in ED-570 that builds up and provides cross-references to the materials in ISA 315 (Revised) to show in essence that requirements introduced in ED-570 are actually part of the application of ISA 315 (Revised) requirements with concentration on matters of going concern. Additionally, we support the IAASB's decision to go beyond cross-referencing ISA 315 (Revised), and devote certain paragraphs (e.g., para. 12 and related application materials) to explaining risk assessment procedures in relation to going concern matters, such as the procedures to understand the entity, its environment, the applicable financial reporting framework, and its system of internal control. However, we should refer to our earlier comment in the answer to question 2, where we expressed our concern about the use of long lists of examples (e.g., A.6 & A.11) in the ED's-570 proposals since such practice may reinforce the checklist mentality. We understand that comprehensive examples should increase clarity, but such an approach has its limitations, which should be considered. Accordingly, we also refer to our earlier comment in the answer to question 4, since ISA 315 (Revisited) reinforces the adoption of a neutral stance when designing and performing risk assessment procedures in terms of approaching the types of audit evidence (e.g., A.10). We maintain our belief that the drafting of ED-570 should rely more on "presumptive doubt," which has been used in ISA 240, in order to encourage a better practice of professional skepticism because the audit of going concern matters substantially involves assessing the risk that the management's judgment about the existence of material uncertainty may be biased.

**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)?**

Overall, we do not 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 to the date of approval of the financial statement due to the significant possible implications of such a change on the auditor's responsibilities regarding going concern matters. The International Accounting Standard 1 (IAS 1) states: "In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period." However, IAS 1 does not limit the period considered for going concern assessment to twelve months from the end of the reporting period as a result of paragraph 26 of IAS 1 which states "...at least, but is not limited to, twelve months from the end of the reporting period". Thus, practitioners state that the default period used by majority of entities is limited to these 12 months. This creates a contradiction for auditors to deal with since ISA 570, which is the basis for an auditor to plan and conduct an audit (paras. 21 and A40 of ED-570 state "...would be at least twelve months from the date of approval of the financial statements.") will not be the basis on which management views and prepares its financial statements. Accordingly, A40 in ED-570 exhibits that the auditor is only required to inquire management regarding the assessment of going concern beyond the period assessed by the management (at least twelve months from the date of approval of the financial statements).

However, Paras. A39 and A41 require the auditor to follow up on events or conditions that have been identified in the period beyond management's assessment. This puts the onus on the auditor rather than the management. If there is any possibility of the auditor identifying such events or conditions, the management should be more likely to be aware of these.

Therefore, instead of para A40 stating that the auditor does not have a responsibility to perform any other audit procedures other than inquiry of management regarding the entities ability to continue as a going concern beyond the period of assessment (twelve months from the date of approval of the financial statements), the auditor should be provided with information / evidence by the management to support the basis on which the management decided the period of assessment should be limited to twelve months from the date of approval of the financial statement. Since para 21 in ED-570 uses the phrase "at least twelve months from the date of approval of the financial statements", the management should have the information to support why it did not look beyond twelve months period. We think this should be considered very important, specifically in the wake of the increased number of corporate failures that have been witnessed in recent years, which included many entities that were considered financially strong and healthy.

**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 support the enhanced approach in ED-570 to require the auditor to design and perform audit procedures to evaluate management's assessment of the going concern. Although the idea of conducting such procedures to evaluate management's assessment in all circumstances may lead, in our opinion, to unreasonable expectations regarding an auditor's responsibilities ("performance gap"), this concern has been touched on in the drafting of ED-570. For instance, A.30 in ED-570 specifically clarifies the limitations of the auditor's responsibility in relation to the evaluation of management's assessment of going concern, indicating that "it is not" the auditor's responsibility to rectify a lack of analysis by management. The drafting of ED-570 was appropriate in painting the message that assessing the entity's going concern is the responsibility of management, whereas the auditor's responsibility is only to evaluate management's assessment (with particular consideration of signs of management's bias) through designing and performing audit evidence in an unbiased manner. However, we think this message could be more enhanced in order to prevent misinterpretation (interpretation gap) leading to varied practices.

**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?**

In general, we think ED-570 has appropriately incorporated the concepts of ISA 540 (Revised) in relation to the procedures that an auditor should consider when evaluating management's assessment of going concern. However, we believe an approach similar to the one used to incorporate the concepts of ISA 315 (Revised) by making explicit cross-referencing to ISA 315 (Revised) within the paragraphs and application material related to designing and performing risk assessment (e.g., para. 11, para. 12, and their related application materials) could enhance the incorporation of ISA's 540 concepts.

In addition, SOCPA wishes to highlight that management is obligated by IFRS and other accounting frameworks to assess the viability of a business as a going concern. Nonetheless, these frameworks offer very limited guidance regarding the specific methods and extent of analysis necessary for conducting such an assessment. Stakeholders have expressed concerns regarding accounting standards, as they believe the accounting standards do not provide adequate guidance to the preparers of financial statements. We therefore believe the IAASB should work with the IASB to enhance IAS 1 in order to provide guidance concerning disclosures of material uncertainties about going concern and achieve convergence between accounting and auditing standards to provide a common understanding of material uncertainties relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. This would ensure consistency in international auditing and accounting standards. It is most likely that an amendment to IAS 1 would also be replicated by most other accounting frameworks used around the world.

**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?**

While the proposals in ED-570 provide more comprehensive guidelines in relation to evaluating management's plans for future actions, we believe an extensive coverage of this aspect could result in a "performance gap". The requirement for an auditor to evaluate management's future actions, which may reduce the possible existence of material uncertainty, could expand the audit expectation gap (specifically the "performance gap"), taking into consideration the significant challenges associated with auditing estimates and judgments. Evaluating the "intent" and "ability" of management's plan (future actions) could impair auditors' practice of sound professional judgment, taking into consideration expected management's tendency to support their judgment. We think this issue resembles a compound uncertainty where auditors would be required to make a professional judgment about two types of management judgment: management assessment of the entity's going concern matter and its plan for future actions.

Taking into consideration our concern expressed in the previous paragraph, we think that the drafting of the requirement to evaluate management's plans for future actions when they include financial support by third or related parties is better as it more directly explains the approach to do the evaluation (focusing on "the intent" and "the ability") (e.g., para. 27 and related application materials). Therefore, we think the drafting of para. 26 could be enhanced to match the drafting approach utilized in para. 27 and explain the matters that auditors should focus on when evaluating management's plans for future actions in relation to its going concern assessment.

**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 support the enhanced requirements and application material to communicate with TCWG proposed in ED-570 since they provide more comprehensive guidelines (clarifying the aspects that the communication should cover in relation to going concern matters) to secure, from an early stage, a robust two-way dialogue between TCWG and the auditor in relation to all relevant going

concern matters. The drafting of those enhanced requirements and application material in ED-570 links its content to the concepts discussed in ISA 260 (Revised), which we believe serves well the IAASB's general objective of maintaining a coherent set of auditing standards. However, it could be better to develop more persuasive drafting (in terms of language and using examples) to encourage the auditor to hold regular meetings with TCWG to specifically discuss going-concern matters.

**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 enhanced requirements and application material for the auditor to report to an appropriate authority outside the entity where law, regulation, or relevant ethical requirements require or establish responsibilities for such reporting. We found the enhanced approach in ED-570 more helpful as it provides more details (including an example) to help auditors consider their possible responsibility to report to authorities outside the entity when the auditor includes and highlights the existence of "Material Uncertainty" in the audit report or when a modified opinion in respect to going concern matters is expressed in the audit report. We also support the drafting approach in ED-570 which takes into account the possible impacts of such reporting on the ethical principle of confidentiality and guides the auditor to consider the relevant ethical requirements (this includes cross referencing to the relevant requirements of the IESBA's code of ethics in the footnote).

However, we would like to share our concern regarding the second point in A92 of ED-570, where an auditor is required by law, regulation, or relevant ethical requirements to communicate matters relating to "Material Uncertainty Related to Going Concern" in the auditor's report or express a modified opinion in respect of going concern matters. We fail to understand how "the actual and planned actions taken to address or mitigate the situation" should be considered in determining whether it is appropriate to report the matter to an appropriate authority outside the entity. We believe that this could give the auditor, management, and those charged with governance the discretion to report the matter or not, which is not the intention of the law or regulation.

**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?**

We support the requirements and application material that were proposed in ED-570 to facilitate enhanced transparency about the auditor's responsibilities and work relating to the going concern. We believe that more transparency can be achieved by making the discussion about the auditor's role in assessing the entity's ability to continue as a going concern more explicit (easily located by the use of headings) and more detailed, covering the matters assessed and the work conducted to make the assessment. The drafting of the enhanced requirements and application material in

ED-570 about the auditor's responsibilities for an entity's going concern matters has been rendered more balanced by the cross reference made in A68 in ED-570 to ISA 700. Similarly, this balanced view (reference to the management's and the auditor's responsibilities regarding going concern matters) should also be present in the proposed separate section ("Going Concern" or "Material Uncertainty Related to Going Concern") in the audit report. For instance, it would be beneficial to supplement such explicit statements in the separate section with a statement clarifying that assuring the future viability of the audited entity is outside the scope of the audit. This additional information will assist stakeholders in understanding the specific role of the auditor in relation to the concept of going concern.

Although the enhanced requirements and application material in ED-570 increase transparency, the requirement to include, regardless of whether a material uncertainty exists or not, a separate section focusing on certain disclosures about the auditor's conclusion and basis of conclusion in relation to going concern matters could be revised. We believe that when no events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the requirement included in ISA 700 to report about the management's and the auditor's responsibilities regarding going concern matters would be sufficient to convey the transparent message without having to expand the audit report and "expectation gap" by having a separate section, which would not add to the users of the audit report as much as it may expand the perception of the auditor's role and responsibility. In contrast, we strongly support the enhanced approach proposed in ED-570 when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, whether the auditor concludes, based on the audit evidence obtained, that a material uncertainty exists or not. In these circumstances, an additional explicit explanation to be included in a separate section add value to the user of the audit report. The existence of events or conditions indicating the probable existence of material uncertainty should be sufficiently communicated to the user of the audit report along with the auditor's opinion.

Additionally, we appreciate how the enhanced approach in ED-570 requires the auditor to provide a more comprehensive view of the going concern matters, including describing how the auditor evaluated the management assessment of the entity's ability to continue as a going concern. However, we express our concern about the possible negative impact of such an enhanced approach on the length and complexity of the audit report since the extent of the details to be provided in the audit report is only dependent on the auditor's professional judgment (e.g., A75). It is noteworthy that the auditing literature has not yet obtained concrete evidence showing that the expanded audit report (since it has been embraced in auditing standards) has met its promise of positively influencing audit quality and the quality of financial reporting. Furthermore, the "balance" that the auditor is supposed to strike in the audit report, based on the enhanced approach in ED-570 when describing the auditor's conclusion and the basis of that conclusion, without inappropriately obscuring a material uncertainty, could be challenging, contributing to an "interpretive gap". Furthermore, the inclusion of different audit report examples that cover various circumstances related to going concern matters in the appendices of ED-570 significantly adds to the understanding of the implication of the enhanced approach on the audit report.

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?**

As we explained in our answer to the previous question, we support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern. However, we think that the requirement to describe how the auditor evaluated management's assessment regarding 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 should be restricted to listed entities. At the same time, we are in favor of encouraging auditors of non-listed entities to include, on a voluntary basis (as a preferred practice), in the audit report a reference to the related disclosures, if any, in the financial statements and a description of how the auditor evaluated the management's assessment regarding going concern matters.

**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, we believe that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern.

**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.**

In relation to the enhanced application material in ED-570 to reflect on the auditor's use of technology to perform the auditor's work related to going concern, we agree with the proposals in ED-570. However, the examples included in A12 could be enhanced by adding: Carrying out risk assessment and risk scoring. Automated risk assessment tools can assign scores or ratings to various risk factors associated with an entity's going concern. These tools can consider factors such as financial ratios, liquidity measures, debt levels, industry benchmarks, and macroeconomic indicators. By applying predefined algorithms, the tools can generate risk scores, highlighting areas of higher risk and assisting auditors in focusing their attention accordingly.

Additionally, with regard to the enhanced requirements and application material in ED-570 related to obtaining written representations, the proposal included in A38 in ED-570 should be revised to specifically state that written representations by management do not relieve an auditor from the requirement to obtain sufficient and appropriate audit evidence, to avoid overreliance by auditors on management representations. We have identified this as a significant issue since, based on auditing literature and our prior quality reviews, we observe that some auditors, in certain

instances, may rely only on the written representations and make no considerable attempt to obtain sufficient and appropriate audit evidence relating to the specific matter.

### **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 ED-570.**

Generally, the drafting of the requirements and application material in ED-570 is not expected to raise significant challenges in relation to its translation to another language, except for the following points:

- The use of the phrase “may cast significant doubt” in the proposed definition of “material uncertainty”. Translating phrases that are intended to be used together to convey a specific message would be significantly challenging. We recommend avoiding using such a “phrase” to define a key concept in the standard.
- As commented earlier in our answers to the previous questions, we observed that some application materials were too long, while the intended messages, in our opinion, could be conveyed in a more concise and straightforward manner. These unnecessarily enlarged application materials could impose significant challenges when translating the standard into other language. Thus, we recommend revising the drafting of the enhanced application material in ED-570 with a specific focus on refining it to be more concise.