

August 24, 2023

The Chairman
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue
6th Floor
New York 10017
United States of America

Via Online Submission

Dear Mr. Tom Seidenstein,

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

The Malaysian Institute of Certified Public Accountants ("MICPA") appreciates the opportunity to comment on the IAASB Exposure Draft "*Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*" ("Exposure Draft"). We also applaud the effort of the International Auditing and Assurance Standards Board ("IAASB") to enhance the Standard.

In this regard, we are pleased to attach MICPA's comments as set out in the Appendix for your consideration.

We trust that our comments are valuable to the IAASB for your onward deliberation. MICPA looks forward to further support the effort of the IAASB in setting and enhancing the auditing, assurance and quality management standards. Please do not hesitate to contact the undersigned or the Executive Director of Technical, Ms Chiam Pei Pei, at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully



FOO YOKE PIN (Mr)
Executive Director

Our responses to the specific questions are as follows:

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?

Comment:

We agree with the IAASB's proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1. The linkage to other International Standards on Auditing ("ISAs") and the additional guidance in the application material maintains the principle-based standard and is not prescriptive.

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?

Comment:

The improve and new requirements in ED-570 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, recognising that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?

Comment:

We do not have any objection to this as going concern matters are relevant to all entities. The additional examples provided in the application material are helpful.

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?

Comment:

We are of the view that the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern.

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"?

Comment:

We support the proposed definition of Material Uncertainty (Related to Going Concern) and its explanation in the application material as it clarifies the key concepts and other related terminologies.

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?

Comment:

Pursuant to Paragraph 11 of the ED-570, we are of the view that the risk assessment procedures should be used to identify the risk that management has not performed an appropriate assessment of going concern. The objective should not be for auditors to identify events or conditions that may cast significant doubt on the entity's ability to continue as going concern.

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)?

Comment:

We do not have any objection to this. However, we suggest the IAASB clarify the timing covered to extend auditor's enquiries beyond management's assessment period as per Paragraph 20 of the ED-570.

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?

Comment:

Although additional work done need to be performed by the auditors, a more robust approach that requires the auditor to design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions relevant to the auditor's conclusion to evaluate management's assessment of the entity's ability to continue as a going concern.

However, we suggest that the ED-570 include the expected risk assessment requirements in a scenario where there are no events or conditions, and where events or conditions exist.

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?

Comment:

We agree that ED-570 appropriately incorporates the concepts introduced from ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern. However, the quantitative assessment may not be necessary in all circumstances. We suggest that the IAASB include in Paragraph 19(b) of ED-570 whether the assumptions are realistic and achievable in view of the entity's circumstances and consistent with the general economic environment.

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?

Comment:

We support the enhance and new requirements and application material on the auditor's responsibilities in evaluating management's plans for future actions. Nevertheless, we suggest the IAASB provide guidance on what is considered "feasible" in Paragraph 26(b) of ED-570 in respect of the management plan and how to assess if the management's plan is feasible. Examples to illustrate Paragraph A51 on the existence of material uncertainty will be helpful.

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?

Comment:

We are of the view that the proposed new requirements will be able to enhance transparency with respect to the auditor's responsibilities and work related to going concern, including strengthening communications among the auditor, management and TCWG. However, these requirements may be onerous for small engagements.

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?

Comment:

We do not have any objection to this.

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?

Comment:

Pursuant to Paragraph 33(a)(ii) of the ED-570, we find that the positive statement is onerous to the auditor. The auditor should begin by stating that management has performed a going concern assessment and has identified that the going concern basis of accounting in the preparation of financial statements is appropriate, followed by the auditor concurring with the management's assessment. In addition, the examples given do not provide any caveat or limitations to this statement. We are of the view that it is not appropriate for auditors to commit that "we have not identified a material uncertainty".

The proposed enhanced communication in the auditor's report on going concern gives a perception of an opinion within an opinion. The inclusion of the wordings "We have concluded" and "Based on the audit evidence obtained" appears to contradict the principle of ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* where the auditor does not provide a separate opinion on key audit matters.

Furthermore, it is only fair if the management should first include an explicit statement to the effect in the financial statements. This will require the accounting standards to be changed or perhaps, the regulators to impose such a requirement.

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?

Comment:

Please refer to our response to Question 13.

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.

Comment:

We do not have any comments on this.

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.

Comment:

Considerations When the Auditor Disclaims an Opinion on the Financial Statements

Paragraph 36 of ED-570 is not clear whether the auditor is allowed to disclaim an opinion on the financial statements due to going concern alone. It refers to a disclaimer of opinion, which may not necessarily be related to going concern. Further clarity in this area will be helpful.

To include an illustrative report of a disclaimer of opinion due to multiple uncertainties involving the financial statement as a whole, supporting Paragraph A82 of ED-570.

Request for General Comments

Question 17

The IAASB is also seeking comments on the matters set out below:

- 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.**

Comment:

This question is not relevant to us.

- 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.**

Comment:

The proposed effective date is appropriate.