



THE MALTA
INSTITUTE OF
ACCOUNTANTS

Mr. James Gunn

Technical Director

IAASB

545 Fifth Avenue, 14th Floor

New York, New York 10017

USA

21 November 2013

Dear Mr. Gunn,

Re: IAASB Exposure Draft (ED) 'Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)'

The Malta Institute of Accountants (MIA) is pleased to provide you with its comments on the IAASB Exposure Draft (ED) 'Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)'.

In this comment letter, the MIA will not be commenting on all the questions that have been posed by the IAASB in its ED. The MIA is a member body of FEE (Fédération des Experts comptables Européens - Federation of European Accountants) and as such supports the comment letter that has been sent by FEE to the IAASB. However we would like to make some further considerations and this letter is intended to clarify our thoughts on these considerations relative to FEE's comment letter.

Going Concern

- 1 We would like to point out that if in response to concerns raised by others the Board considers removing the sentence “neither management nor the auditor can guarantee the entity’s ability to continue as a going concern” in the second paragraph of the Going Concern example in the illustrative audit report, we would then suggest that the Board does not remove the whole sentence but rather only remove the words “neither management nor”. We think that in this way the distinction between the responsibilities of management and those of the auditor could be better preserved. Indeed we believe that management has primary responsibility for the accounts presented in the financial statements and the auditor should not be in the position to report on matters which are within management’s responsibilities.
- 2 Moreover the MIA does not disagree with the use of the word “guarantee” in the sentence “neither management nor the auditor can guarantee the entity’s ability to continue as a going concern” in the second paragraph of the Going Concern example in the illustrative audit report. However if in response to concerns raised by others, the IAASB considers removing the word then we believe that the sentence could be replaced by the text in paragraph 7 of the extant ISA 570.
- 3 We think that paragraph 87 in the Explanatory Memorandum clearly states that “the IAASB recognizes that the identification of a material uncertainty relating to going concern would, by its nature, be a Key Audit Matter (KAM). However, it is of the view that information relating to the identification of a material uncertainty relating to going concern should be presented as part of the Going Concern section of the auditor’s report...” We agree that this is the way that a material uncertainty relating to going concern should be presented.

Key Audit Matters

- 4 The Institute thinks that the Board should provide guidance on the objectives of Key Audit matters (KAMs). Additionally the MIA believes that the IAASB should be clearer on what is and

what is not a KAM and favours having clearer requirements supported by appropriate application material to better frame which identified significant risks should be reported in the KAM section. Indeed we think that the guidance on 'determining Key Audit Matters' in paragraph 8 of the proposed ISA 701 is overly complicated when it could be clearer and more specific. Particularly 8 (c) is very judgemental and we see a risk that through this requirement the auditor could be generating original information about the entity. Because of these problems associated with identifying KAMs, we think that the Board should adopt a different approach and specify which matters are not KAMs. This would also help mitigate the risk of diluting the importance of KAMs.

- 5 The Institute agrees with the Board's conclusion in paragraph 13 of the proposed ISA 701 that there may be certain limited circumstances in which, in the auditor's professional judgment, there are no key audit matters to communicate in the auditor's report. This is partly because a KAM by definition would exclude going concern matters and matters giving rise to a modification of the auditor's opinion.

For more information about this comment letter please do not hesitate to contact the undersigned or Mr Mark Abela, MIA Technical Director.

Yours sincerely,



Maria Micallef

Malta Institute of Accountants, President