

**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, September 11th, 2014

Members of the Group
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB).

REF: **Proposed Changes to the International Standards on Auditing (ISAs) Addressing Disclosures in the Audit of Financial Statements (IAASB).**

Dear Members of the Group,

The Inter-American Accounting Association (AIC – in Spanish), welcomes the opportunity to comment on **Proposed Changes to the International Standards on Auditing (ISAs) Addressing Disclosures in the Audit of Financial Statements (IAASB).**

This reply summarizes the views of different member countries of the AIC, according to the following due process:

Due process:

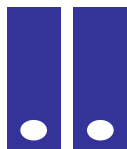
The Draft was submitted to the different AIC member, the Inter-American Technical Commissions (AIC) and the Sponsor Organizations (OP-in Spanish), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and OP, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Gustavo Gil Gil
PRESIDENT



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Comment Letter of the Interamerican Accounting Association- AIC on the document for public discussion referred to Proposed Changes to the International Standards on Auditing (ISAs) “ Addressing Disclosures in the Audit of Financial Statements (IAASB)”

We have answered the questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

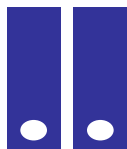
From our point of view, there is also a problem when in some ISAs, for example in ISA 210 Para.A23, it says –financial statements, including related disclosuresII. This is redundant because financial statements are a structured representation of historical financial information, including related disclosures, according to ISA 200.

The problem is that there is an apparent confusion between one of the components of financial statements, the notes, and one of the assertions, presentation and disclosure.

We consider that the assertion –PresentationII should be named –Presentation and disclosureII, and the reference to disclosure should not be included in the other type of disclosures. What we need to make sure is that auditors verify that the classes of transactions and events and accounts balances are fairly presented and disclosed according to the financial reporting framework. Some specific audit procedures are performed to verify disclosure, and for example, not necessarily an audit procedure performed to assess occurrence provides audit evidence to assess disclosure. We consider that the new Para. A124(c) should stand as it was before, and incorporate the explanation of the type of disclosure that it alludes, which are basically the ones described in the new Para. A124a, –*disclosures not directly related to recorded classes of transactions, events, or account balancesII* (***).

To sum up, we feel that the amendments included in the ISAs are not clear enough to explain the following (*):

- Auditors need to assess whether classes of transactions and events, accounts balances and disclosures not directly related to recorded classes of transactions, events, or account balances that are included in the financial statements are in compliance with the financial reporting framework regarding recognition, measurement and presentation and disclosure.
- The information related to classes of transactions and events and account balances are presented in the face of the financial statements, while their related disclosures and the disclosures not directly related to them are included in the notes, in cross-references and descriptive information in the face of the financial statements.
- Auditors gather evidence related to classes of transactions and events, accounts balances and disclosures not directly related to them though the following assertions:
 - o For classes of transactions and events: occurrence, completeness, accuracy, presentation and disclosure, cut-off, classification;
 - o For account balances: existence, rights and obligations, completeness, accuracy, presentations and disclosure and
 - o For disclosures not directly related to recorded classes of transactions and events, or account balances: through the appropriate combinations of the assertions mentioned above.



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We would also like to mention that we consider that the following amendments are positive and relevant (**):

- Amendments included in ISA 300 that provide additional guidance to help establish and appropriate focus on disclosure in the audit and encourage earlier auditor attention on them during the audit process. This is very important because usually the client provides the notes at the very end of the audit and the auditor has not enough time to analyze them.
- Amendments included in ISA 315 to encourage a more robust risk assessment relating to disclosure.
- Amendments included in ISA 450 that provide additional guidance on the accumulation and evaluation of the effect of misstatements in disclosures.
- Amendments included in ISA 700 that provide new material explaining what could be done to establish whether the information presented in the financial statements is relevant, reliable, comparable and understandable. We consider that Graham et al. (2005) provide useful information on this regard.

Finally, we will provide a short answer to the questions posed in the request for comment that will help to summarize our view on the Exposure Draft:

Question 1 Whether, in your view, the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs?

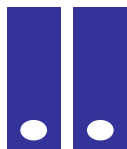
Answer 1 We consider some of the amendments (see above) are confusing regarding the component of the financial statements and the assertions, see (*). This is a concern because it could be misleading when applying current requirements in the ISAs. Positive amendments are the ones that encourage earlier auditor attention on disclosures during the audit process, the ones that encourage a more robust risk assessment relating to disclosure, the ones that provide additional guidance on the accumulation and evaluation of the effect of misstatements in disclosures and the guidance to establish whether the information presented in the financial statements is relevant, reliable, comparable and understandable, see (**).

Question 2 Are there any specific areas where, in your view, additional enhancement to either the requirements or guidance of the ISAs would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?

Answer 2 It would be interesting to evaluate whether the concept of mandatory and voluntary disclosure should be included in the ISAs. This will be in the form of guidance in ISA 700. See Graham et al. (2005).

Question 3 Whether, in your view, the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts, thereby promoting an earlier and more effective audit of disclosures?

Answer 3 Please, refer to the whole paragraph (***)



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In addition to the request for specific comments above, the IAASB is also seeking comments on the general matters set out below:

Question a)

Preparers (including Small- and Medium-Sized Entities (SMEs)) and Other Users —The IAASB invites comments on the proposed changes to the ISAs particularly with respect to the practical impacts, if any, of the proposed changes to the ISAs.

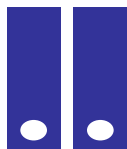
Answer a) Not identified.

Question b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the ISAs, the IAASB invites respondents from these nations to comment on the proposed changes to the ISAs, in particular, on any foreseeable difficulties in applying these in a developing nation environment.

Answer b) Not identified.

Question c) Translations—Recognizing that many respondents may intend to translate the final changes to the ISAs for adoption in their own environments, the IAASB welcomes comments on potential translation issues respondents may note in reviewing the proposed changes to the ISAs.

Answer c) Not identified.



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