



Accountants Park
Plot 2374, Thabo Mbeki Road
P.O. Box 32005
Lusaka
ZAMBIA

Telephone: + 260 21 1 255345/255371/255361, Fax + 260 21 1 255355
E-mail: technical@zica.co.zm

11th March 2013

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York
E-mail: jamesgunn@iaasb.org

Dear Sir,

**COMMENTS ON EXPOSURE DRAFT – THE AUDITOR’S RESPONSIBILITIES
RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING OR
ACCOMPANYING AUDITED FINANCIAL STATEMENTS AND THE AUDITOR’S
REPORT THEREON**

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the exposure draft on ‘The Auditor’s Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor’s Report Thereon.

In general we note the proposed changes to the ISA shifts the responsibilities of Management on to the Auditor. This therefore entails a change in the way the auditor has to be trained.

Our responses to specific questions are as follows:

Scope of the Proposed ISA

Question 1

Do respondents agree that there is need to strengthen the auditor’s responsibilities with respect to other information? In particular do respondents believe that extending the auditor’s responsibilities with respect to the other information reflects costs and benefits appropriately and is in the public interest?

Comment

While appreciating the rationale for the need to strengthen the Auditor's responsibilities with respect to other information, this approach will create a burden on the auditor, as the auditor will be expected to comment on the consistency of other information. The need to have consistent information with the audited financial statements is a responsibility of Management and not the auditor. In cases where the Auditor does not detect the inconsistency, will the auditor not be subject to litigation even though the auditor is not offering an opinion?

Though the extension of the auditor's responsibilities with respect to the other information is in the public interest, we believe that this does not reflect the costs and benefits appropriately. The auditor is being asked to comment on consistency of the other information in addition to expressing an opinion on the financial statements. This additional service should be paid for and hence the cost of the audit will inevitably rise.

Question 2

Do respondents agree that broadening the scope of the proposed ISA to include documents that accompany the audited financial statements and the auditor's report thereon is appropriate?

Comment

While broadening the scope of IAS 720 to include documents that accompany the audited financial statements and the auditor's report thereon might increase the value of the audit, we do not agree that this is appropriate for the reasons highlighted in response to Question 1 above.

Question 3

Do respondents find the concept of initial release clear and understandable? In particular, is it clear that the initial release may be different from the date the financial statements are issued as defined in IAS 560?

Comment

Yes, we do find the concept of initial release to be clear and understandable. It is very clear that the initial release may be different from the date the financial statements are issued.

Question 4

Do respondents agree that the limited circumstances in which securities offering document would be in scope (e.g. initial release of the audited financial statements in an initial public offering) are appropriate or should securities offering documents simply be scoped out? If other information in

a securities offering document is scoped into the requirements of the proposed ISA in these circumstances, would this be duplicating or conflicting with procedures the auditor may otherwise be required to perform pursuant to national requirements?

Comment

We believe that securities offering documents should be scoped out in order to avoid duplications and conflicts with procedures that the auditor may be required to perform.

Objectives

Question 5

Do respondents consider that the objectives of the proposed ISA are appropriate and clear? In particular:

- a) Do respondents believe that the phrase “in light of the auditor’s understanding of the entity and its environment acquired during the audit” is understandable for the auditor? In particular do the requirements and guidance in the proposed ISA help the auditor to understand what it means to read and consider in light of the auditor’s understanding of the entity and its environment acquired during the course of the audit?
- b) Do respondents believe it is clear that the auditor’s responsibilities include reading and considering the other information for consistency with the audited financial statements?

Comment

- a) We believe the phrase is understandable. Yes the requirement and guidance may help the auditor to understand what it means to read and consider.
- b) We believe the responsibility is clear.

Definition of an Inconsistency in the Other Information

Question 6

Do respondents agree that the definitions of the terms of “inconsistency” including the concept of omissions and “a material inconsistency in the other information” are appropriate?

Comment

We do agree that the definitions are appropriate.

Question 7

Do respondents believe that users of auditor's reports will understand that an inconsistency relates to an inaccuracy in the other information as described in (a) and (b) of the definition, based on reading the considering the other information in light of the auditor's understanding of the entity and its environment acquired during the course of the audit?

Comment

We believe that not all users of the Auditor's report will understand that inconsistency relates to an inaccuracy in the other information. Most likely users will associate any inconsistency as being untruthful on the part of management.

Nature and Extent of Work Effort

Question 8

Do respondents agree with the approach taken in the proposed ISA regarding the nature and extent of the auditor's work with respect to the other information? In particular:

- a) Do respondents believe the principles-based approach for determining the extent of work the auditor is expected to undertake when reading and considering the other information is appropriate?
- b) Do respondents believe the categories of other information in paragraph A37 and the guidance for the nature and extent of the work effort for each category are appropriate?
- c) Do respondents agree that the work effort is at the expected level and does not extend the scope of the audit beyond that necessary for the auditor to express an opinion on the financial statements?

Comment

- a) We believe that a principled approach is more appropriate as it allows the auditor to use his/her judgement on matters that auditor has read and considered.
- b) We do not have any other categories to suggest otherwise.
- c) The work effort might be within the expected level but this adds more time to the audit and hence our call for this additional work to be treated as an additional service to the normal audit.

Question 9

Do respondents believe that the examples of qualitative and quantitative information included in the Appendix in the proposed ISA are helpful?

Comment

Yes the examples in the proposed ISA are helpful.

Responding When the Auditor Identifies That the Audited Financial Statements May Be Materially Misstated

Question 10

Do respondents believe it is clear in the proposed requirements what the auditor's responses should be if the auditor discovers that the auditor's prior understanding of the entity and its environment acquired during the audit was incorrect or incomplete?

Comment

We believe the proposed requirements are clear as to what the auditor's responses should be.

Reporting

Question 11

With respect to reporting:

- a) Do respondents believe that the terminology (in particular, "read and consider", "in light of our understanding of the entity and its environment acquired during our audit", and "material inconsistencies") used in the statement to be included in the auditor's report under the proposed ISA is clear and understandable for users of the auditor's report?
- b) Do respondents believe it is clear that the conclusion that states "no audit opinion or review conclusion" properly conveys that there is no assurance being expressed with respect to the other information?

Comment

- a) Most likely the users will associate the statement to be included in the Auditor's report as expressing an opinion on the other information.
- b) Yes they do convey that there is no assurance being expressed with respect to other information. However, the question that arises is that, of what value would this reporting have on the audit if no opinion or review conclusion is given at the end?

Question 12

Do respondents believe that the level of assurance being provided with respect to other information is appropriate? If not, what type of engagement would provide such assurance?

Comment

We believe that the level of assurance is not appropriate. May be review engagement would provide an appropriate level of assurance.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Modest Hamalabbi

Technical and Standards Manager