



**Comments on IFAC Exposure Draft for Audit Reports
November 2013**

Question	Response
<p>1. Do users of the audited financial statements believe that the introduction of a new section in the auditor's report describing the matters the auditor determined to be of most significance in the audit will enhance the usefulness of the auditor's report? If not, why?</p>	<p>Yes.</p> <ul style="list-style-type: none"> - The additional information will enhance understanding of the organization's performance. - Also enables the users of the financial statements understand areas where the auditor and the management have exercise significant judgment thus - Points to users of financial statements areas where they need to further engage management ad TCWG, hence gaining insights on the performance of the organization - Enables investors gain better understanding of the organization's potential and ability to create value both in current and future periods
<p>2. Do respondents believe the proposed requirements and related application material in proposed ISA 701 provide an appropriate framework to guide the auditor's judgment in determining the key audit matters? If not, why? Do respondents believe the application of proposed ISA 701 will result in reasonably consistent auditor judgments about what matters are determined to be the key audit matters? If not, why?</p>	<p>Yes it provides an appropriate framework.</p> <p>Proposed ISA 701 will result in reasonably consistent auditor judgment regarding what is considered to be a Key Audit Matter since the criteria for determination is given:</p> <ul style="list-style-type: none"> - Areas identified as significant risks (ISA315) - Areas that are difficult to audit and those where it is difficult to obtain appropriate sufficient audit evidence - Areas that require significant modification of the planned audit approach due to deficiency in internal controls
<p>3. Do respondents believe the proposed requirements and related application material in proposed ISA 701 provide sufficient direction to enable the auditor to</p>	<p>Yes.</p> <p>There is sufficient direction in determining a key audit matter to be included in the audit report, a matter which will be among those disclosed to</p>



<p>appropriately consider what should be included in the descriptions of individual key audit matters to be communicated in the auditor’s report? If not, why?</p>	<p>TCWG that meets the criteria given in the ISA.</p>	
<p>.4. Which of the illustrative examples of key audit matters, or features of them, did respondents find most useful or informative, and why? Which examples, or features of them, were seen as less useful or lacking in informational value, and why? Respondents are invited to provide any additional feedback on the usefulness of the individual examples of key audit matters, including areas for improvement.</p>	<p>It is difficult to say which examples of key audit matters or features were most useful or informative as they are all different and presenting peculiar circumstances.</p> <p>Possibly more examples from Public Sector should have been included, as the sector has very peculiar circumstances which may not be applicable in other sectors.</p>	
<p>5. Do respondents agree with the approach the IAASB has taken in relation to key audit matters for entities for which the auditor is not required to provide such communication – that is, key audit matters may be communicated on a voluntary basis but, if so, proposed ISA 701 must be followed and the auditor must signal this intent in the audit engagement letter? If not, why?</p> <p>Are there other practical considerations that may affect the auditor’s ability to decide to communicate key audit matters when not otherwise required to do so that should be acknowledged by the IAASB in the proposed standards?</p>	<p>Yes I agree with IAASB approach for voluntary disclosure of key audit matters, for entities other than listed entities but following ISA 701 and signal this in the Audit Engagement Letter.</p> <p>Entities in the regulated industries like Banks, Insurance companies, Pension funds etc. Identification of the key audit matters may be influenced by the regulatory requirement.</p> <p>Prospectus and Accountancy reports consider disclosure</p>	



<p>6. Do respondents believe it is appropriate for proposed ISA 701 to allow for the possibility that the auditor may determine that there are no key audit matters to communicate?</p> <p>(a) If so, do respondents agree with the proposed requirements addressing such circumstances?</p> <p>(b) If not, do respondents believe that auditors would be required to always communicate at least one key audit matter, or are there other actions that could be taken to ensure users of the financial statements are aware of the auditor’s responsibilities under proposed ISA 701 and the determination, in the auditor’s professional judgment, that there are no key audit matters to communicate?</p>	<p>Yes it is appropriate to allow for reporting of no key audit matters, and explain. Thus adopt the ‘Report or Explain Principle’</p> <p>Yes</p> <p>No, I do not agree that there must be at least one key audit matter to report. There may be cases where there might be no key audit matters to be disclosed and it is should suffice for the auditor to explain so.</p>	
<p>7. Do respondents agree that, when comparative financial information is presented, the auditor’s communication of key audit matters should be limited to the audit of the most recent financial period in light of the practical challenges explained in paragraph 65?</p> <p>If not, how do respondents suggest these issues could be effectively addressed?</p>	<p>Yes key audit matters to be communicated are for the current year.</p> <p>But the auditor should consider the effects of any previously reported key audit matters in the previous audit. These matters may not need to be reported in the current year but the auditor needs to gain assurance that they were appropriately dealt with in the current year and properly dealt with in the current year financial statements.</p>	
<p>8. Do respondents agree with the IAASB’s decision to retain the concepts of Emphasis of Matter paragraphs and Other Matter paragraphs, even when the auditor is required to communicate key audit matters, and how</p>	<p>Yes, the Emphasis of Matter and Other paragraph should be retained even with communication of key audit matters.</p> <p>This is because in the Emphasis of Matter and Other Matter paragraphs the overall impact of the key audit matter on the financial statements is</p>	



<p>such concepts have been differentiated in the Proposed ISAs? If not, why?</p>	<p>explained. Thus informing the user/reader of the financial statements of key audit matters that are fundamental for their understanding of the financial statements as a whole.</p> <p>Page 179 para A2: It is not clear why a matter that is not a key audit matter would warrant Emphasis of Matter in the audit report.</p>	
<p>Going Concern</p> <p>9. Do respondents agree with the statements included in the illustrative auditor's reports relating to:</p> <p>(a) The appropriateness of management's use of the going concern basis of accounting in the preparation of the entity's financial statements?</p> <p>(b) Whether the auditor has identified a material uncertainty that may cast significant doubt on the entity's ability to concern, including when such an uncertainty has been identified (see the Appendix of proposed ISA 570 (Revised))? In this regard, the IAASB is particularly interested in views as to whether such reporting, and the potential implications thereof, will be misunderstood or misinterpreted by users of the financial statements.</p>	<p>Yes</p> <p>Yes</p>	
<p>10. What are respondents' views as to whether an explicit statement that neither management nor the auditor can guarantee the entity's ability to continue as a going concern should be required in the auditor's report whether or not a material</p>	<p>The inclusion of such a statement in my opinion is not good as it could cast doubt in the reader'/users' minds who rely on the management and the auditor. It should suffice to</p>	



<p>uncertainty has been identified?</p> <p>Compliance with Independence and Other Relevant Ethical Requirements</p>	<p>say that neither management nor management have identified a material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern.</p>	
<p>11. What are respondents’ views as to the benefits and practical implications of the proposed requirement to disclose the source(s) of independence and other relevant ethical requirements in the auditor’s report?</p>	<p>It is good to disclose the source of independence and other relevant ethical requirements in the audit report, as this can then be verified, audit procedures carried out and documented thus the evidence can be verified.</p>	
<p>Disclosure of the Name of the Engagement Partner</p> <p>12. What are respondents’ views as to the proposal to require disclosure of the name of the engagement partner for audits of financial statements of listed entities and include a “harm’s way exemption”?</p> <p>What difficulties, if any, may arise at the national level as a result of this requirement?</p>	<p>Disclosure of the name of the Engagement Partner enhances transparency and personal commitment and responsibility to the opinion given for listed entities and include a ‘harm’s way exemption’.</p> <p>Difficulties could arise at the national level in jurisdictions where there is no legal requirement for such a disclosure as the engagement partners may feel exposed.</p>	
<p>Other Improvements to Proposed ISA 700 (Revised)</p> <p>13. What are respondents’ views as to the appropriateness of the changes to ISA 700 described in paragraph 102 and how the proposed</p>	<p>The proposed changes are ok but too much variation should not be encouraged I trying to reach an appropriate balance between consistency n audit reporting. Just like IFRS have</p>	



<p>requirements have been articulated?</p>	<p>been adopted globally and national standards are aligned to international standards even ISAs should enhance standardization of reporting and allowing too much variation would counter this objective.</p>	
<p>14. What are respondents' views on the proposal not to mandate the ordering of sections of the auditor's report in any way, even when law, regulation or national auditing standards do not require a specific order?</p> <p>Do respondents believe the level of prescription within proposed ISA 700 (Revised) (both within the requirements in paragraphs 20–45 and the circumstances addressed in paragraphs 46–48 of the proposed ISA) reflects an appropriate balance between consistency in auditor reporting globally when reference is made to the ISAs in the auditor's report, and the need for flexibility to accommodate national reporting circumstances?</p>	<p>Am not comfortable with the proposal not to mandate the ordering of the sections of the audit report again for consistency and flow of information in the audit report. Now with more information being disclosed it is important to have consistency in the audit reports.</p> <p>For instance from the opinion paragraph one needs to see the basis of opinion and this is followed by the justification which will be in the following paragraphs with key audit matters and other information.</p> <p>To promote international standards in reporting to much flexibility to accommodate national reporting circumstances should be discouraged and jurisdictions should be encouraged to adopt international standards.</p>	

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