



The Institute of Chartered Accountants of Zimbabwe (ICAZ),

2 Bath Road / Corner Sam Nujoma St,

Belgravia,

Harare,

Zimbabwe

29 November 2013

Dear Sir

Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)

ICAZ is pleased to have this opportunity to respond to the above exposure draft. We hope you find our comments helpful.

If there are any issues arising from the above, please contact me.

Yours sincerely

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**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ZIMBABWE (ICAZ)
COMMENTS ON EXPOSURE DRAFT ON REPORTING ON AUDITED FINANCIAL
STATEMENTS: PROPOSED NEW AND REVISED INTERNATIONAL STANDARDS
ON AUDITING (ISAs)**

Please find our responses to the questions you raised on the above ED outlined in italics below:

Key Audit Matters

Question 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?

While we believe that users with a thorough understanding of the audit process will find the new section enhancing the auditor’s report, we don’t believe that most users of the audited financial statements will find it as an enhancement, but maybe a source of confusion. The value in the auditor’s report is in the opinion paragraph – whether or not the presented financial statement show a true and fair view of the entity’s financial performance and results for the period. The auditor’s procedures and assessment of areas considered as significant are of minimal relevance to users of this opinion unless they fully appreciate the audit process. Furthermore, the auditor’s assessment of the areas considered to be most significant will be driven by a variety of factors which will differ from entity to entity, thereby making a comparison of these matters impractical.

Question 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?

We believe it does. However, the key audit matters will depend on a variety of issues and considerations of factors surrounding the entity that a comparison of these between entities will not be meaningful, as such the application of ISA 701 may not necessarily result in consistent auditor judgements.

Question 3 – Do respondents believe the proposed requirements and related application material in proposed ISA 701 provide sufficient direction to enable the auditor to 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?

Yes we believe it does give some guidance.

Question 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.

All illustrative examples were deemed useful.



Question 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? 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?

No. The matter should not be on a voluntary basis as this will create unnecessary tension between the auditor and management as well as unfair comparison of entities and indeed auditors. The approach should be to make it applicable for all similar entities as defined. In considering this response, one also needs to consider what factors would move the auditor to concluding that there is need to communicate to users of the financial statements in this manner.

Question 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?

- a **If so, do respondents agree with the proposed requirements addressing such circumstances?**
- 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?**

YES – Depending on the entity, there may very well be no key matters to communicate.

6a – Yes, we agree with the proposed requirements addressing such circumstances.

6b – N/A

Question 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? If not, how do respondents suggest these issues could be effectively addressed?

Yes, respondents agree.

Question 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 such concepts have been differentiated in the Proposed ISAs? If not, why?

Yes, respondents agree.



Going Concern

Question 9 – Do respondents agree with the statements included in the illustrative auditor’s reports relating to:

- (a) **The appropriateness of management’s use of the going concern basis of accounting in the preparation of the entity’s financial statements?**
- (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.

9a – We agree with the proposed wording

9b – We agree with the proposed wording, however, challenges are anticipated where the auditor identifies and concludes there are going concern challenges BUT management do not.

Yes they will potentially be misunderstood and misused

Question 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 uncertainty has been identified?

NO – this goes without saying. Putting it in the audit report will simply raise unwarranted attention to the matter.

Compliance with Independence and Other Relevant Ethical Requirements

Question 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?

It is a good addition as it provides additional useful information to the user of the audit report

Disclosure of the Name of the Engagement Partner

Question 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”? What difficulties, if any, may arise at the national level as a result of this requirement?

It is a good suggestion and will bring about a greater sense of responsibility by the auditor. What may be worth considering as well might be, ‘to what extent should other auditors involved in the audit be disclosed e.g. the IT auditor, Tax auditor, Engagement Quality Reviewer?’



Other Improvements to Proposed ISA 700 (Revised)

Question 13 – What are respondents’ views as to the appropriateness of the changes to ISA 700 described in paragraph 102 and how the proposed requirements have been articulated?

Acceptable. The changes appear appropriate and have been well articulated.

Question 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? 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?

The format of the audit report should be standard in order for ease of use and interpretation by users and for comparability.