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Our Ref: PSD/ED15/2014

Thursday, 17 July 2014

James Gunn
Managing Director, Professional Standards
The International Auditing and Assurance Standards Board (IAASB),
529 Fifth Avenue, 6th Floor,
New York NY 10017

Dear Sir

RE: Exposure Draft: Proposed International Standard on Auditing (ISA) 720 (Revised) - The Auditor's Responsibilities Relating to Other Information. Proposed Consequential and Conforming Amendments to Other ISAs

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft: Proposed International Standard on Auditing (ISA) 720 (Revised) - The Auditor's Responsibilities Relating to Other Information Proposed Consequential and Conforming Amendments to Other ISAs.

ICPAK appreciates the Board's decision to re-issue this ED after considering our views from our previous comment letter dated 14 March 2013 on the Exposure Draft of (ISA) 720 (Revised) - The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon; Proposed Consequential and Conforming Amendments to Other ISAs in November 2012.

We are pleased with the Board's decision to rethink the purpose of ISA 720, which has pervasive implications for the objectives, definitions, requirements and application material in the draft, and as we predicted would be necessary, that the IAASB has chosen to re-expose the draft to obtain input on the fundamental changes since the last draft. We also welcome the clarification that the purpose of the standard is not for the auditor to obtain assurance on other information.

We attach hereto an appendix with our responses to questions for specific comment.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours faithfully,

Nixon Omindi
For Professional Standards Committee

Comments on Specific Questions

1. Whether, in your view, the stated objectives, the scope and definitions, and the requirements addressing the auditor’s work effort (together with related introductory, application and other explanatory material) in the proposed ISA adequately describe and set forth appropriate responsibilities for the auditor in relation to other information.

We agree that the stated objectives, the scope and definitions and the requirements addressing the auditor’s work effort is sufficient as it now more clearly defines what the auditor should read as information accompanying financial statements. We particularly support the board’s decision to scope out preliminary announcements of financial information and securities offering documents, including prospectuses that were initially contained in the proposed ISA in November 2012.

2. Whether, in your view, the proposals in the ISA are capable of being consistently interpreted and applied.

We agree that the proposals contained herein and the limitation of the scope to annual report will enable the auditors to clearly read such information.

3. Whether, in your view, the proposed auditor reporting requirements result in effective communication to users about the auditor’s work relating to other information.

Yes. We believe that the proposed reporting requirements result in effective communication to users about the auditor’s work relating to other information.

4. Whether you agree with the IAASB’s conclusion to require the auditor to read and consider other information only obtained after the date of the auditor’s report, but not to require identification of such other information in the auditor’s report or subsequent reporting on such other information.

Yes, we agree with the IAASB’s conclusion to require the auditor to read and consider other information only obtained after the date of the auditor’s report, but not require identification of such other information in the auditor’s report or subsequent reporting on such other information.

Comments on the General Questions:-

- (a) Preparers (including Small- and Medium-Sized Entities (SMEs)), and users (including Regulators)—The IAASB invites comments on the proposed ISA from preparers (particularly with respect to the practical impacts of the proposed ISA), and users (particularly with respect to the reporting aspects of the proposed ISA).

In most cases, from small and medium entities, there is little information that is required in addition to the audited financial statements, details of companies’ information and the statement of directors’ responsibility. We therefore do not anticipate any additional cost implications or practical difficulties in implementation the proposed ISA.

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

No comment

- (c) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISA.

No translation is required in our jurisdiction.

Effective Date—Recognising that the proposed ISA results in changes to the auditor’s report, the IAASB believes that to the extent possible, the effective date should be aligned with that of the IAASB’s Auditor Reporting project. Accordingly, the IAASB believes that an appropriate effective date for the standard would be 12–15 months after issuance of the final standard, but may be longer or shorter to align with the effective date of the revisions arising from the auditor reporting project. Earlier application would be permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISA.

We support the proposal to harmonise the effective date for this ISA with the auditor report project and agree that the proposed timelines are sufficient to support effective implementation of the IS