



AUDITOR - GENERAL
SOUTH AFRICA

Mr James Gunn
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Dear Mr Gunn

Exposure draft: Reporting on audited financial statements

The Auditor-General of South Africa would like to take this opportunity of submitting comment on the exposure draft referred to above.

We attach, annexed to this letter, our responses to the specific questions asked and specific paragraphs for your consideration.

Yours sincerely

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Response to specific questions

- 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?**

We are not users of financial statements, but we believe that it will be useful to them. In our experience, the users of financial statements in the public sector are interested in more information. For this reason and other legislated requirements, our current auditor's report includes information in addition to the traditional auditor's report.

The inclusion of key audit matters in the auditor's report will require the auditor to inform or educate the preparers and users of the financial statements regarding its purpose and meaning.

- 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?**

Yes. Please also refer to our comments made on specific paragraphs.

We further suggest that it may be appropriate to note that there may be other criteria that could result in a key audit matter in the public sector, for example the wasteful use of public funds and other regulatory issues. (Some public sector entities may be listed as in South Africa.)

We also suggest that the inclusion of key audit matters in the auditor's report be considered for audits other than financial information going forward e.g. in ISAE 3000 engagements.

- 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?**

It is not sufficient in all respects. There are numerous matters involved and, therefore, we request that you refer to our comments on specific paragraphs in ISA 701, as well as related comments on the illustrative examples included in ISA 700.

- 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.**

The examples provided are not sufficient and in certain instances the wording is not appropriate. Please refer to our comments on specific paragraphs.

We recommend that examples be developed for each scenario in paragraphs 8(a) to (c).

- 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?

Yes, we believe that if the auditor has decided to include key audit matters in the auditor's report that the requirements and guidance of ISA 701 should be applied. We are not aware of any other practical considerations.

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?

Yes, we believe it is theoretically possible that there could be no key audit matters to include. In practice this may however be rare, since "most significant" is relative within the context of the specific audit client, i.e. relative to what has been reported to those charged with governance (compare paragraph A2).

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

The suggested reporting when there are no key audit matters is not appropriate and has the potential to confuse. We suggest that the key audit matters under these circumstances be left out.

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?

N/A

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?

No, in certain circumstances a key audit matter of the prior year could still be applicable in the current year. This is supported by the explanation in ISA 701 paragraph A9 – a key audit matter from the prior period may or may not be a key audit matter in the current year. It can only be a key audit matter in the current period if it remains relevant, or continues to affect the current period and if it was reported as a key audit matter in the prior period. The auditor should then make reference that the matter was also reported in the prior year.

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, we believe that there is a difference between a key audit matter and an emphasis of matter. ISA 701 states that it will be rare to have an emphasis of matter or other matter when key audit matters are included. We therefore believe that there will still be an emphasis of matter or other matter paragraph when other ISAs or the ISSAIs require it.

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 be a going concern, including when such an uncertainty has been identified (see the Appendix of proposed ISA 570 (Revised))?

Obtaining sufficient appropriate audit evidence and concluding regarding management’s use of the going concern basis of accounting in the preparation of the financial statements as described in paragraph 6 is only one of many conclusions made during the audit that will enable the auditor to form an opinion on the financial statements as a whole.

We do not agree that going concern, which could or could not be a significant risk area in the context of a specific audit (just like numerous other possible significant risk areas), is elevated through reporting, to a level that appears to eclipse the “financial statements as a whole”. It could be misunderstood and detract from the auditor’s opinion on the financial statements as a whole.

The auditor must follow the requirements in extant ISA 570 with respect to the consideration and evaluation of going concern throughout the audit. If going concern is a significant risk area it will be identified as such and the auditor will be required to respond to the risk (as in the case of any significant risk). There will also be audits where the going concern assumption is clearly not a significant risk and where it does not require special audit consideration. In those audits where it requires special consideration it would most probably also represent a key audit matter that would be reported in the auditor’s report in accordance the requirements of ISA 701. We believe that going concern does not warrant a mandatory reporting paragraph.

The manner in which this assessment is applied in the public sector would be different as ISSAI 1570 describes that it will be unlikely for a public sector entity to not be a going concern. A more appropriate heading may also have to be selected as “going concern” issues may only relate to support from national government.

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.

We believe that it is possible to be misunderstood.

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?

Please refer to our comment made under question 9. We believe that such a statement should not be made.

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?

We do not believe that the users will benefit from this disclosure. A statement of compliance with applicable ethical requirements should be sufficient. There are many codes that could be applied and listing or naming them would not benefit the user.

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?

In South Africa it is a requirement for Registered Auditors under the Auditing Profession Act to include their names in the auditor’s report. This requirement is not applicable to the public sector and we do not believe it should be.

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?

We agree with the changes made, except for the following:

We do not believe that relocating the suggested wording to an appendix would benefit or enhance the auditor's report. Taking into account the amount of information involved (barely half a page) and the importance of ensuring that users understand the auditor's responsibilities, the wording should be retained as an integral part of the auditor's report. Following from this, we do not believe that it is appropriate to include the responsibility paragraph on a website.

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?

We believe that the ordering of the sections should be mandated except where the format of the auditor's report is legislated.

Comments on specific paragraphs

ISA 700	
Paragraph 2	The last sentence refers to "other ISAs" and then specifically includes ISA 570. We suggest that reference to ISA 570 be deleted and that a list of these ISAs be included in an appendix similar to appendix 1 to ISA 260.
Paragraph 27(d)	We agree with the requirement to refer to the notes to the financial statements. We suggest that the words "including a summary of significant accounting policies" be deleted to shorten the paragraph or that reference is also made to "other explanatory information" as described in IAS 1 ("notes, comprising a summary of significant accounting policies and other explanatory information").
Paragraph 30	A complete set of general purpose financial statements has already been defined. We suggest the following changes: "For audits of complete sets of general purpose financial statements of a listed entity, the auditor shall communicate key audit matters in the auditor's report in accordance with proposed ISA 701. When the auditor of a complete set of general purpose financial statements of an entity other than a listed entity is required by law or regulation to communicate key audit matters in the auditor's report or otherwise decides to do so, the auditor shall apply <u>report in accordance with</u> proposed ISA 701."
Paragraph 36(a)	Please move reference to paragraph A36 from paragraph 36(a)(ii) to paragraph 36(a)(i).
Paragraph 36(c)	We suggest the following insertion: <u>Misstatements detected as a result of the audit</u> can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Paragraph 37(a)	We suggest the following change as the clarified ISAs do not refer to phases of an audit:

	State that, as part of an audit in accordance with ISAs, the auditor exercises professional judgment and maintains professional skepticism throughout the planning and performance of the audit; and
Paragraph 37(b)(ii)	Is it an absolute requirement to obtain an understanding of internal control? We believe it is related to the responsibility to identify and assess the risks of material misstatement and should not be mentioned separately.
Paragraph 38(b)	We suggest the deletion of this paragraph as the first 3 lines are already included under the basis of opinion paragraph and the rest of the paragraph seems excessive. For audits of financial statements of listed entities, provide [those charged with governance] with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.
Paragraph A30	It should be a requirement for the auditor to inform those charged with governance through the engagement letter that key audit matters will be included in the auditor's report. The paragraph further uses the word "notes" which is not used in other clarified ISAs. We suggest using different terminology for example "provides guidance" as used in ISA 330 paragraph A44.
Heading to paragraph A36	Reference to paragraph 35-40 is incorrect and should refer to 36(a)(i).
Heading to paragraph A37	The heading to paragraph A37 should be moved to paragraph A38 and the referencing should be corrected. The heading also differs from the heading in the requirements section. Paragraph A37 requires a different heading and should refer to paragraph 37.
Illustrative examples	The second paragraph under the "Opinion" paragraph should be moved to the first paragraph. Please also refer to our comment on the notes to the financial statements under paragraph 27(d).
Illustrative examples	We suggest the following changes to the paragraph below: Key Audit Matters Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. <u>We report k</u> Key audit matters are that we have selected from the matters communicated with [<i>those charged with governance</i>], but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.
Illustrative examples	Even though the introductory paragraph states that the auditor does not express an opinion on the individual matters, some of the wording used for example: "we concluded" and "we did not find evidence" could create the impression that a separate opinion is expressed. Care must be taken to ensure that the auditor's communication of key audit matters does not result in, or is not seen to result in the auditor taking on responsibilities and reporting beyond the overall objectives of the auditor in terms of expressing an opinion on the financial statements as a whole. Any other conclusions presented may be misunderstood and may even overshadow or detract from the auditor's opinion on the financial statements as a

	<p>whole. The discussion in ISA 701, paragraph A7 confirms that it is not about the auditor’s conclusion on the matter but about the fact that the matter was identified in relation to assessing risks of material misstatement and responding to it appropriately.</p> <p>ISA 701, paragraph 10(a) requires that the auditor shall provide an explanation of why the auditor considered the matter to be one of most significance in the audit and, to the extent the auditor considers it necessary as part of this explanation, its effect on the audit. Paragraphs A38 to A40 provides guidance on explaining the effect on the audit (we do not include paragraph A41, since this relates to our comment above that it is inappropriate to include conclusions in the auditor’s description of a key audit matter). The principle of describing why a matter is a key audit matter and, if necessary, its effect on the audit is appropriately addressed in paragraphs A38 to A40. The illustrative examples in ISA 700 must be amended to be in line with the guidance provided.</p>
<p>Illustrative examples</p>	<p>We suggest the following changes to the paragraph below as we believe that reference to the notes in the financial statements should be made first and audit procedures should not be included.</p> <p><i>Revenue Recognition Relating to Long-Term Contracts</i> <u>The Company’s disclosures about revenue recognition are included in the summary of significant accounting policies in Note 1, as well as Note 4.</u> The terms and conditions of the Company’s long-term contracts in its [name of segment] affect the revenue that the Company recognizes in a period, and the revenue from such contracts represents a material amount of the Company’s total revenue. The process to measure the amount of revenue to recognize in the [name of industry], including the determination of the appropriate timing of recognition, involves significant management judgment. <u>We identified revenue Recognition of long-term contracts was identified as a significant risk requiring and consequently special audit consideration was given to this matter.</u> This is because side agreements may exist that effectively amend the original contracts, and such side agreements may be inadvertently unrecorded or deliberately concealed and therefore present a risk of material misstatement due to fraud. In addition to testing the controls the Company has put in place over its process to enter into and record long-term contracts and other audit procedures, we considered it necessary to confirm the terms of these contracts directly with customers and testing journal entries made by management related to revenue recognition. Based on the audit procedures performed, we did not find evidence of the existence of side agreements. The Company’s disclosures about revenue recognition are included in the summary of significant accounting policies in Note 1, as well as Note 4.</p>
<p>Illustrative examples</p>	<p>We suggest the following editorial changes and the deletion of the section regarding ethical requirements as this seems excessive.</p> <p><i>Auditor’s responsibilities for the audit of the financial statements</i> As part of an <u>In performing the</u> audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:</p> <ul style="list-style-type: none"> • Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

	<p>intentional omissions, misrepresentations, or the override of internal control.</p> <ul style="list-style-type: none"> • Obtain an understanding of internal control relevant to the audit <u>as part of our assessment of risks of material misstatement</u> in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. <p>We are required to communicate with [those charged with governance] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.</p> <p>We are also required to provide [those charged with governance] with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.</p>
<p>Illustrative examples</p>	<p>We suggest the following changes to the paragraph below as we believe that reference to the notes in the financial statements should be made first and audit procedures should not be included.</p> <p><i>Goodwill</i></p> <p><u>The Group's disclosures about goodwill are included in Note 3, which specifically explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.</u></p> <p>Under IFRSs, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions, particularly those in [Countries X and Y]. As a result, our audit procedures included, among others, using we used a valuation expert to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth and profit margins for [name of business lines]. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. The Group's disclosures about goodwill are included in Note 3, which specifically explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.</p>
<p>Illustrative example 4</p>	<p>We recommend that the illustrative example be presented in full.</p>
<p>ISA 701</p>	
<p>Overall</p>	<p>The auditor is not a commentator on the entity's financial position, financial performance and cash flows, nor can the auditor supplement the financial reporting framework. The auditor cannot provide information that is not supposed to already be present in accordance with the requirements of the financial reporting framework.</p> <p>The standard should also address how the requirements ensure that</p>

	reporting key audit matters does not inappropriately affect users' expectations of the audit.
Paragraph 2	It is not clear how communicating key audit matters will assist the users of financial statements. Paragraphs A4 and A5 provide some explanation for introducing key audit matters, but a further explanation is required.
Paragraph 8	<p>We suggest the following deletions to sub-paragraphs (a) and (b) as it is better suited under the application and other explanatory material. The references included align with the manner in which sub-paragraph (a) is written. We recommend that more illustrative examples for each of the requirements from sub-paragraphs (a) to (c) be developed.</p> <p>(b) Areas in which the auditor encountered significant difficulty during the audit <u>in accordance with ISA 260 (Revised)</u>, including with respect to obtaining sufficient appropriate audit evidence.</p> <p>(c) Circumstances that required significant modification of the auditor's planned approach to the audit <u>in accordance with ISA 315 (Revised)</u>, including as a result of the identification of a significant deficiency in internal control in accordance with ISA 265.</p>
Paragraph 9(a)	It is not clear in this paragraph whether it is a requirement to only include key audit matters that relate to the current year audit. We don't believe it should only relate to the current year audit as the prior year matter could still be relevant in the current year or recurring in the current year. Paragraph A9 provides guidance in this regard.
Paragraph 9(d)	We recommend that the sub-paragraph be extended in terms of paragraph 11. It should further state that key audit matters are matters other than those which gave rise to a qualified/ adverse opinion.
Paragraph 11	<p>We agree that key audit matters should not be included when the opinion is disclaimed as it would detract from the opinion expressed and the matters that resulted in the disclaimer would be included in the basis for disclaimer of opinion paragraphs.</p> <p>The paragraph should not specifically refer to going concern but rather to the mandatory sections of the auditor's report.</p> <p>We believe that sub-paragraph (c) should be deleted as reference to the basis for modified opinion paragraph would create duplication.</p>
Paragraph 12	<p>The paragraph requires the auditor to communicate the key audit matters that the auditor is going to include in the auditor's report to those charged with governance. The application material states that those charged with governance should be made aware of these matters. This discussion could be more difficult than indicated in these paragraphs if there is no criteria to base the decision on which matters to include. The extant ISA 705 paragraph A25 provides guidance on communication of modifications to the auditor's opinion. Similar guidance could be developed for communicating key audit matters.</p> <p>We further suggest the following amendment to the paragraph:</p> <p>The auditor shall communicate with those charged with governance those matters the auditor has determined are the key audit matters to be included in the auditor's report.</p>
Paragraph A1	The paragraph makes reference to a smaller number of matters. We believe it shouldn't necessarily be a smaller number as this almost becomes a quantitative benchmark.
Paragraph A2	This paragraph should be moved to the definition section of the ISA. How

	does this relate to materiality as applied during the audit?
Paragraph A3	The paragraph uses the word “notes” which is not used in other clarified ISAs. We suggest using different terminology for example “provides guidance”.
Paragraph A8	The first sentence of the paragraph is worded in the same manner as a requirement and should be included in the requirements of the ISA if it is believed to be an appropriate requirement. Please refer to our previous comment that we believe that key audit matters should be included for comparative information. ISA 710 states that corresponding figures is an integral part of the current period financial statements. The paragraph is also contradicted by paragraph A9 that states that it may nevertheless be useful to consider whether a matter of the previous year continues to be a key audit matter in the current year.
Paragraph A10, A11	The paragraphs are not drafted in terms of the clarity conventions because of the following words used: “are”, “is”, “would”.
Paragraph A12	The paragraph refers to persons with expertise in a specialized area of accounting or auditing in the second last sentence and to an auditor’s expert in the last sentence. The paragraph should differentiate between consultation and expertise in an area other than accounting or auditing (auditor’s expert).
Paragraph A19	The paragraph uses the word “explains” which is not used in other clarified ISAs. We suggest using different terminology for example “provides guidance”.
Paragraph A22	<p>We suggest deleting the sections below to eliminate duplication and unnecessary sentences. A significant deficiency in internal control does not in all instances require a change in the audit approach. A deficiency could be identified during the evaluation of the design and implementation of internal control which is before the auditor decides on the audit approach to follow.</p> <p>Revision to the auditor’s risk assessment and <u>re-evaluation</u> of the planned audit procedures with respect to a particular area of the financial statements (i.e., a significant change in the audit approach, for example, when a significant deficiency in internal control has been identified) may lead the auditor to determine that area to be a key audit matter. ISA 315 (Revised) notes that the auditor’s assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. Difficulties in obtaining audit evidence, as contemplated by paragraph 8(b), may cause the auditor to <u>re-evaluate</u> the planned audit approach. Further, if during the audit the auditor’s risk assessment is significantly revised, the auditor may consider the facts and circumstances giving rise to the changed assessment to be a key audit matter. In particular, if the auditor encounters circumstances that cause the auditor significant difficulty in applying necessary audit procedures, the auditor may need to obtain audit evidence by performing additional <u>alternative</u> audit procedures beyond those originally contemplated.</p>
Paragraph A23	<p>We suggest deleting the second sentence as it is unnecessary.</p> <p>ISA 265 requires the auditor to communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis. The auditor is not required by the ISAs to report externally on significant deficiencies in internal control identified during the audit. However, the identification of a significant deficiency may be an indicator of a key audit matter relating to the area(s) of the financial statements affected by the significant deficiency.</p>
Paragraph A27	Illustrations 1 and 2 of the Appendix to proposed ISA 700 (Revised)

	include descriptions of key audit matters in the auditor’s report when the auditor of <u>the</u> financial statements of a listed entity expresses an unmodified opinion on the financial statements.
Paragraph A31	We recommend that the factors that influence the auditor’s risk assessment be aligned to the factors in ISA 315 paragraph 28. We further suggest that the last bullet be deleted as it is unnecessary.
Paragraph A38 and A39	Please refer to our related comment on the illustrative examples in ISA 700 with respect to describing the key audit matter. Furthermore, additional guidance is required on when it will be necessary to describe the effect on the audit.
Paragraph A41	The paragraph refers to avoiding creating uncertainty as to whether a matter was resolved and giving the impression that an opinion is expressed. Please refer to our related comments on the illustrative examples in ISA 700 with respect to not including any conclusions when reporting on key audit matters
Paragraph A42	The paragraph states that referring to disclosures enables users to understand both management and the auditor’s perspectives. We don’t believe this is the objective of referring to disclosures in the financial statements. It is not about opposing perspectives and therefore recommend that the sentence be deleted.
ISA 260	
Paragraph A9	We suggest that the 3 rd bullet of this paragraph regarding the auditor’s responsibility to determine and communicate key audit matters be included as a requirement.
Paragraph A18a	The paragraph uses the word “notes” which is not used in other clarified ISAs. We suggest using different terminology for example “provides guidance”.
ISA 706	
Paragraph 9(a)	We suggest deleting the words “in the Financial statements”. An emphasis of matter relates to a matter disclosed in the financial statements but the emphasis of matter is not “in” the financial statements. Use the heading “Emphasis of Matter in the Financial Statements, ” or other appropriate heading
Paragraph 9 (b)	The inclusion of key audit matters are only applicable to audits of listed entities, the sentence should therefore start with “if” and not “when”. When If key audit matters are communicated in the auditor’s report, include a statement that explains that the matter being emphasized is separate from key audit matters