

**International Auditing and Assurance Standards Board**

**November 11, 2013**

**International Federation of accountants**

**545 Fifth Avenue, 14<sup>th</sup> Floor**

**New York 10017 US**

Ladies and gentlemen,

In pursuance of your kind invitation to comment on the IAASB suggestions to improve auditor reporting I would like to present below certain comments on the issues included in your Invitation to Comment.

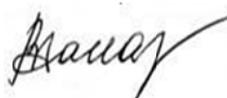
<b>№</b>	<b>Question</b>	<b>Comments</b>
	<b>Key Audit Matters</b>	
1.	Do users of the audited financial statements believe that the introduction of a new section in the auditor's report describing the matters the auditor determined to be of most significance in the audit will enhance the usefulness of the auditor's report? If not, why?	No comments.
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, as a whole.
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, as a whole. But some certain points look insufficient, for example, para.A36 (see below). It may appear useful to strengthen para.A7 and restrict the volume of the descriptions in key audit matters so as it is done for the number of them.
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.	Recommendation in para.A36 looks strange and unclear. As the structure and content of the proposed pattern of auditor's report become much more heavy it may appear useful to cut description of audit procedures performed in Illustrations 1 and 2 proposed ISA 700 etc.
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, but there should not be a requirement to signal auditor's intent to include key audit matters in the audit engagement letter(para.A30-A31,proposed ISA 700)
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	Yes, it is appropriate.

	<p>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>There may be no matters to communicate with those charged with governance (para. 13b).</p>
7.	<p>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>It seems useful to consider a possibility to mention issues of the previous periods into key audit matters on a voluntary basis but not as a requirement.</p>
8.	<p>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?</p>	<p>In spite the fact that the cases of using Emphasis of Matter paragraphs and Other Matter paragraphs clearly differentiated from key audit matters paragraph the whole structure of the possible audit report seems too heavy (see below).</p>
	<b>Going Concern/Other Information</b>	
9.	<p>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))?</p> <p>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>The first sentence from the abstract <i>Going Concern Basis of Accounting</i> should be transferred into the end of the previous abstract.</p> <p>Proposed reporting could be misunderstood or misinterpreted by users of the financial statements and could deteriorate financial position of potentially perspective enterprises, for example, new entities, entities with losses during periods of crisis etc.</p>
10.	<p>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?</p>	<p>Yes, such a statement should be included in the auditor's report whether or not a material uncertainty has been identified.</p>
	<b>Compliance with Independence and Other Relevant Ethical Requirements</b>	
11.	<p>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>According to para.38 b) the proposed requirement to provide a statement on independence and other relevant ethical requirements concerns only listed entities. But para. 46 e) requires such a statement for all reports in specific jurisdictions. Requirements must be universal – either only for listed entities in all jurisdictions or for all kinds of entities in all jurisdictions.</p>
	<b>Disclosure of the Name of the Engagement Partner</b>	
12.	<p>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</p>	<p>Para.42 and 43 and A45-47 seem to be united: all auditor's reports should be signed by the name of engagement partner for all entities as a minimum or by the name of engagement partner and the name of the firm except for jurisdictions where in rare</p>

	result of this requirement?	circumstances when this name should be disclosed only to competent authorities.
	<b>Other Improvements to Proposed ISA 700 (Revised)</b>	
13.	<p>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?</p> <p>Para.102:</p> <ul style="list-style-type: none"> <li>• <i>Improved description of the responsibilities of the auditor and key features of the audit</i> (see paragraphs 35-38 and related application material of proposed ISA 700 (Revised)).</li> <li>• <i>Provision for the descriptions of the responsibilities of the auditor and key features of the audit to be relocated to an appendix in the auditor's report, or for reference to be made to such a description on the website of an appropriate authority.</i></li> <li>• <i>Reference to whom in the entity is responsible for overseeing the Company's financial reporting process.</i></li> <li>• <i>Other reporting responsibilities.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Improved description of the responsibilities of the auditor and key features of the audit seems in paragraphs 35-38 seems rationale but para. 38 b) must not be limited by listed entities only.</li> <li>• It seems rationale.</li> <li>• It seems rationale too.</li> <li>• Other reporting responsibilities should be presented in a separate section <i>Report on Other Legal or Regulatory Requirements</i> as it is now.</li> </ul>
14.	<p>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?</p>	<p>This proposal is not clear from the text of the standards except for para. A 15-16 ISA 706 (revised). In illustrations to ISA 700 section «Key audit matters» is before «Going concern» and in illustrations to ISA 570 – after it. The reader should guess using indirect methods if he may change the ordering of sections. It seems necessary to define possibilities to change the ordering of sections clearer and they should not be too wide.</p> <p>As it is stressed in para. A 21-22 ISA 705 (revised) consistency in both the form and content of the auditor's report is desirable. It is desirable either in any country or at the international level.</p> <p>Due to paragraphs 46-48 – yes. Due to paragraphs 20-45 – see above.</p>
	<b>Other matters</b>	
15.	ISA 700, para. A2 and others	The term «proposed» in the reference looks excessive.
16.	Para. 7,8, 9d) ISA 701	The definition of key audit matters seems insufficient. Notification that these matters do not affect the auditor's opinion should be included into the definition.
17.	Section «Opinion» of the Auditor's report	Opinion should follow declaration of the auditing of the financial statements.
18.	There are too many references between separate parts of the proposed pattern of the auditor's report. It makes the report much more heavy and complex for understanding.	

Hope the comments above will be instrumental for improving the ISAs.

Best regards,



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