

18 August 2014

Professor Arnold Schilder
Chairman
International Auditing & Assurance Standards Board
529 Fifth Avenue 6th Floor
New York
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Dear Professor Schilder

Comment Letter Addressing Disclosures in the Audit of Financial Statements

Crowe Horwath International is delighted to present a comment letter on *Addressing Disclosures in the Audit of Financial Statements*. Crowe Horwath International is a leading global network of audit and advisory firms, with members in some 118 countries.

We welcome the exposure draft presented by the IAASB as well as the subsequent draft *Staff Publication*. The IAASB have recognised that the audit of disclosures has created challenges for auditors. The IAASB's proposals will assist auditors in addressing these challenges, but as we comment below there is scope to go further. We acknowledge the IAASB's comment that the IAASB cannot address all the issues concerned with the audit of disclosures alone. It is important that the IAASB continues to address the audit of disclosures and encourages the support of other interested parties.

We address below the specific matters detailed in the IAASB's request for comments.

1. Whether, in your view, the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs?

The proposed changes are appropriate for the purpose of enhancing the focus of the auditor on disclosures. Therefore these changes will support the proper application of the current requirements in the ISAs.

The proposed changes are not necessarily sufficient to address all the issues that are arising in the demanding, and evolving area of the audit of disclosures. We note the intention of IAASB to give consideration to matters related to the audit of disclosures as it deliberates upon its future agenda. However, there is scope for further "additional guidance" to be developed at this time. We comment on this in 2) below.

2. Are there any specific areas where, in your view, additional enhancement to either the requirements or guidance of the ISAs would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?

The IAASB's Explanatory Memorandum refers to the IAASB's deliberations about "sources of information for disclosures, and sufficient appropriate audit evidence" and "materiality for non-quantitative disclosures". It is disappointing that the IAASB has concluded that changes will not be made to ISAs 320 and 500. We note that the IAASB will consider whether to return to these areas when they deliberate their future strategy and work programme. This will mean that further standards or guidance will not appear for some years, even if the IAASB determines that they should return to these areas.

The IAASB has identified issues regarding the audit of disclosures that relate to ISAs 320 and ISA 500. These are areas where auditors are seeking further guidance and support. Therefore, we encourage the IAASB, as minimum, to address the identified issues through adding additional material to the Application Guidance of ISAs 320 and 500.

Disclosures about going concern cause specific issues for auditors. These disclosures have received particular attention in recent years because of the financial crisis. We appreciate that there are unresolved issues concerning the definition and interpretation of "going concern" in IAS 1, but we are disappointed to see no mention of revisions to ISA 570 in the IAASB's Exposure Draft. This project is an opportunity to consider whether further Application Guidance should be added to ISA 570 regarding the audit of disclosures about going concern. We encourage the IAASB to address this matter.

We agree with the IAASB's conclusion that a separate ISA is not required. The preparation of the *Staff Publication* is welcome, as this enables the IAASB to address some of the practical issues that auditors are encountering when auditing disclosures. We encourage the IAASB to periodically review the content of the *Staff Publication* with the intention of ensuring that it continues to address issues that auditors are encountering in practice.

3. Whether, in your view, the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts, thereby promoting an earlier and more effective audit of disclosures?

The proposed changes to the presentation of assertions in ISA 315 (Revised) is a welcome revision that will help to better integrate the audit of disclosures with other procedures. This should result in earlier audit work on disclosures.

This is an important change that the IAASB should give emphasis to when the final revisions to the standard are published. Many publishers of audit software and resources will need to clearly understand the changes to the presentation of assertions and properly address these in their materials.

We trust that our comments assist the IAASB in their project to address issues arising from the audit of disclosures. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely



David Chitty
International Accounting and Audit Director