

**RSM International**

11 Old Jewry, 2nd Floor, London EC2R 8DU, England  
T +44 (0)20 7601 1080 F +44 (0)20 7601 1090  
www.rsmi.com

Ms. Kathleen Healy  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue  
New York, NY 10017

10 September 2014

**Re: Exposure Draft: Addressing Disclosures in the Audit of Financial Statements**

Dear Ms. Healy

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to have the opportunity to respond to your Exposure Draft on the Proposed Changes to the International Standards on Auditing – Addressing Disclosures in the Audit of Financial Statements.

We recognise that disclosures have become increasingly complex and detailed in recent years. Investors and the profession rightly expect that appropriate audit procedures are performed on all significant areas in the financial statements, including disclosures. Because disclosures impact many facets of the audit it has been necessary to propose amendments to numerous standards and despite the inevitable complexity associated changes of this nature, we acknowledge that development of professional standards is by its very nature an incremental process and change of this kind is both necessary and inevitable.

We support involving regulators and other standard setters in a wider objective to improve disclosures in financial statements. We consider that the International Auditing and Assurance Standards Board (IAASB) has achieved a significant step forward with this Exposure Draft to that overall aim.

We believe that the Exposure Draft builds on the Discussion Paper – The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications of June 2011. We commend the IAASB for the considerable amount of work that has been done on this area since the Discussion Paper was released.

**Requests for comments on specific matters:**

**Q1: 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?**

We support the overall objectives of the Exposure Draft and the proposed amendments to the ISAs impacted by these changes. However, we have the following comments.

ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, Paragraph A89a includes references to systems and processes that are not part of the general ledger system. We believe that the clarity of this paragraph should be improved because it excludes information obtained from informal and/or external sources. We recommend the following amendments to this paragraph:

“Information in the financial statements, including disclosures, may contain information that is relevant to the audit that originates from internal or external sources, systems or processes that are not part of the general ledger system. TheseSuch information relevant to the audit systems or processes may include:

- An entity’s risk management system...”

We recommend the following conforming change to ISA 330, *The Auditor’s Responses to Assessed Risks*, Paragraph 20:

“..... process:

- (a) Agreeing or reconciling the financial statements, including disclosures, with underlying accounting records, and information that is relevant to the audit that originates from internal or external sources, systems or processes that are not part of the general ledger system; and ...”

ISA 700, *Forming an Opinion and Reporting on Financial Statements*, Paragraph A3b (third bullet) includes a reference to the placement of significant disclosures. We do not believe that the placement of disclosures has bearing on whether a disclosure is relevant, reliable, comparable or understandable. In addition, we do not consider it necessary for an auditor to consider the sequential order of disclosures in the financial statements; whereas they should consider the appropriateness of cross-referencing. We recommend the following amendments to this paragraph:

“..... of the matters disclosed.

- ~~The placement of significant disclosures gives appropriate prominence to them (for example when there is perceived value of entity-specific information to users), and whether t~~The disclosures are appropriately cross-referenced to draw attention to related matters, where appropriate.”

**We have no comments on Questions 2 to 4.**



We would be pleased to discuss our comments further with members of the IAASB or its staff. If you wish to do so, please contact Robert Dohrer (tel: +44 207 601 1080; email: robert.dohrer@rsmi.com).

Yours sincerely

A handwritten signature in black ink that reads 'Robert Dohrer'. The signature is written in a cursive style with a long, sweeping tail.

**Robert Dohrer**  
**Global Leader - Quality and Risk**  
**RSM International**