

**IAASB,
545 Fifth Avenue, 14th Floor,
New York, New York 10017,
USA**

21st November 2013

Dear Sir/Madam,

The Audit Practices Sub Committee of the Institute of Certified Public Accountants in Ireland is pleased to provide you with its comments on the *Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)*.

We have set out below our comments;

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?

Yes, A new section giving clarity to the most significant issues in the audit will give the audit report more meaning. Too many users of financial statements do not understand the role of the auditor as to what they do or don't do, so to have a section that clearly points out significant matters is very important

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?

No, The framework could be helped by adding a matrix or a clear list of topics to assist the auditor make a judgment on whether the key auditing matter deserve to be specifically mentioned on the audit report

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?

No, Unless there is a clear understanding and guidance showing under what circumstances key audit matters should be shown on the audit report, consistency is very hard to achieve in the short term. This will eventually happen through trial and error but to show consistency from the start it would be very hard to achieve in its current form

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, there are some good examples, however, this will not be fully known until real life examples are used.

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 section A47 through to A49 which gives examples of circumstances in which the auditor has determined there are no key audit matters gives a good understanding of when this paragraph will not be needed.

Section A44 Interaction between descriptions of Key audit matters and other elements required to be included in the audit report gives the least amount of information, This section is very important and should have more detail. This does not give the appropriate amount of examples to cover such an important section.

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?

We agree with the proposal that where key audit matters are communicated by the auditor for entities that are not listed entities that they be communicated in line with the proposals in ISA 701. However we do express concern with allowing a voluntary basis of communication of key audit matters in cases for non-listed entities. The determining factors as to when an auditor would/should voluntarily communicate key audit matters are unclear.

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?

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

We are of the view that there may be situations where listed entities, due to their size and nature, may have no key audit matters and we agree that in these situations the audit should make an affirmative statement in the auditor’s report. We agree with the approach that where the audit concludes that there are no key audit matters this should be communicated to those charged with corporate governance.

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?

We agree that the communication of key audit matters should be limited to the most recent financial period as it would be impractical to include a prior period.

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?

We agree with the retention of the Emphasis of Matter and Other Matters paragraphs even in cases where the key audit matters communication is required. These paragraphs will still be very appropriate in cases that key audit matters communication is not required. We also agree that clear instructions to differentiate between Emphasis of Matter and Other Matters and Key audit matters is required.

9. Do respondents agree with the statements included in the illustrative auditor's reports relating to:

The appropriateness of management's use of the going concern basis of accounting in the preparation of the entity's financial statements?

(a) Yes, we agree with the statement – this is the critical piece of the audit report, so the more detailed the commentary in this area then the more perceived benefit of the audit report/audit. This should enhance the AR and users confidence in both the Audit and the company at a wider level.

(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))?

Yes we agree, this is critical to supporting the opinion in regard to the going concern concept for the company. However the key issue of the definition of "material uncertainty" remains i.e. The risks of differing definitions or interpretations between the US GAAP and IFRS, and also the risks of using different thresholds to define materiality. This issue needs to be further considered.

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.

There are risks of misinterpretations as outlined in my comments re material uncertainty. In addition the use of the last line disclaimer in the going concern paragraph is a bit of a negative and we are of the view that it compromises the positives of the rest of the going concern comments. We have a preference for the omission of this line from the going concern paragraph and if possible covered elsewhere such as in the audit scope.

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?

As outlined in question 9 we are of the view that there is no a requirement to include this line in the going concern paragraph. It is firstly a negative comment and open to interpretation by users. If the comment is to be made then it will be more appropriate where a material uncertainty has been identified and it needs to support the audit opinion.

If there is no material uncertainty identified then there should not be a need to include this statement – again this really should be covered in a scope comment.

Compliance with Independence and Other Relevant Ethical Requirements

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?

The difficulty with this disclosure is that the source of such representations may not be the same and it may be impractical as all relevant resources may need to be named.

The IESBA Code and National Standard setting requirements are also considerations that will need to be considered/harmonized before a final determination is concluded. The views collected as part of the review of the draft are important in formulating the final determination of these proposals.

Disclosure of the Name of the Engagement Partner

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 Ireland there is already a requirement for the audit engagement partner to personally sign the audit report.

Other Improvements to Proposed ISA 700 (Revised)

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?

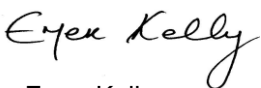
We would agree that the changes made are appropriate.

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 welcome the non mandating of the order and the flexibility that this will allow for national standard setters.

If you have any queries on any aspect of our response please contact us.

Yours sincerely,



Emer Kelly
Secretary – CPA Audit Practices Sub Committee