



August 21, 2014

Submitted electronically to arnoldschilder@iaasb.org

Mr Arnold Schilder

Chairman

International Auditing and Assurance Standards Board

545 Fifth Avenue

New York

10017 USA

COMMENTS ON THE IAASB EXPOSURE DRAFT, PROPOSED INTERNATIONAL STANDARD ON AUDITING (ISA) 720 (REVISED) "THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION"

Dear Mr. Schilder,

The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's ("IAASB") Exposure Draft: *Proposed International Standard on Auditing (ISA) 720 (Revised) "The Auditor's Responsibilities Relating to Other Information"*. As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally by, amongst others, contributing to the development of high quality auditing and professional standards, and other pronouncements and statements.

IFIAR's more specific objectives are as follows:

- Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms;
- Promoting collaboration and consistency in regulatory activity;
- Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and
- Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members.

The comments we have provided in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations.

Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals.

Comments

General

We broadly support the idea of improving the standard on the auditor's responsibilities regarding other information, in particular, "raising the bar"¹ vis-à-vis the work effort and reporting requirements. We nevertheless have a number of concerns with regards to the proposed standard, as set out hereafter.

Scope of "Other Information" to be covered by the auditor

Determining the scope of "other information" by reference to the "annual report" as now defined by the proposed standard, in combination with the application material provided, has clarified the scope as defined by extant ISA 720. It appears to provide a minimum common basis which may improve consistency in the application of the proposed standard globally. In addition to this minimum scope defined by the proposed standard, we support the inclusion of a scope extension if required by national provisions.²

To address the needs of certain jurisdictions it would be helpful if the application guidance were expanded to include situations where, for example:

- the documents (or a combination of documents) include the type of information provided for by the definition,¹ the intended users are the same as for the financial statements and auditor's report thereon, but the documents do not "contain or accompany" the financial statements and the auditor's report and are nevertheless subject to specific attention by the auditor, in accordance with national law, and/or
- an audit should be performed on interim accounts, in accordance with national law.

We understand the Board's proposal to exclude securities offering documents from the scope of other information in this standard, but we believe that the Board should not disregard the need for a separate project to describe the minimum level of work required from the auditor on such documents. Such a description could be included in a separate international standard and take into account the variety of national requirements on securities offering documents. National regulations could supplement the requirements set by an international standard, if necessary, for those jurisdictions where national regulations are more stringent.

Work effort

Albeit the Board has proposed to separate the notions of "read and consider",³ the notion of "consider" remains insufficiently clear. We believe that using more functional terms would better capture the action expected from the auditor in this regard.

The requirement for the auditor to perform at least some procedures is an improvement on extant ISA 720 regarding the work effort to be provided by the auditor. We believe it would improve the standard if the nature of the procedures required to be performed by the auditor were specified in the standard. This would allow for enhanced consistency in application.

¹ Page 8, par17 of the explanatory memorandum

² ED 2014 §12(a)

³ ED 2012 §11

We would like to draw the Board's attention to the inference that may be drawn from the use of the word "limited" when referring to the procedures to be performed by the auditor.⁴ This terminology could be read as implying a restriction on the procedures to be performed. We believe that the auditor should perform those procedures appropriate to the given circumstances and not "limit" them unnecessarily.

We believe that the standard should describe the relationship between a material inconsistency and a material misstatement. It is unclear as to what the auditor should be looking for with respect to an inconsistency as compared to a misstatement in the other information. The standard should specify the difference, if any, between the requirement to "*remain alert for other indications that the other information appears to be materially misstated*"⁵ and the additional procedures to be performed by the auditor to investigate the grounds for the inconsistency, when he has identified a material inconsistency.⁶ For instance, we question whether the knowledge obtained by the auditor should be used differently with regards to inconsistencies or to misstatements. We encourage the Board to expand the explanations corresponding to those provisions either in the requirements,⁷ or in the application material,⁸ so as to clarify what is expected from the auditor with regard to misstatements, while recognizing that the auditor should not be knowingly associated with misleading information.

We note that the term "inconsistency" is currently defined in the ISA Glossary of Terms and that the conforming amendments to the Glossary of Terms do not suggest that the definition will be deleted. Therefore, it is unclear as to whether the definition will remain or not in the Glossary, alongside the revised ISA 720 standard.

Material misstatements of "Other Information" received after the date of the auditor's report

We believe that the standard can be enhanced regarding the action to be taken by the auditor if other information is received after the date of issuance of the audit report and is materially misstated. We encourage the Board to consider expanding either the requirements⁹ or at least the guidance¹⁰ indicating the appropriate actions the auditor shall take in those circumstances.

Reporting

The proposed standard mandates the inclusion of a description of the responsibilities of the auditor vis-à-vis other information. We are of the view that the users of the audit report would be better informed if the information provided in the report on the work performed by the auditor were in line with the requirements section of the standard.¹¹ This being said, the wording of the audit report should also include language on the fact that the proposed ISA does not require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements in performing the procedures.¹²

⁴ ED 2014 §15

⁵ ED 2014 §14(c)

⁶ ED 2014 §16 (a) and (b)

⁷ ED 2014 §14(c), 16(a), 16(b)

⁸ ED 2014 A33

⁹ ED 2014 19(b)

¹⁰ ED 2014 A45

¹¹ Namely the fact that the auditor has performed procedures on the other information

¹² ED 2014 §2

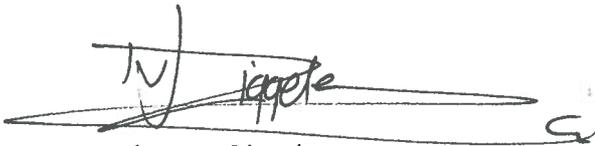
We believe the proposed wording to be included in the auditor's report with respect to the auditor's responsibilities for other information should be considered in the broader context of all changes to be made to the auditor's report.

Documentation

The documentation requirements in the proposed standard are minimal. Given that the auditor is to perform procedures on the other information, we encourage the Board to expand the documentation requirements, either by clarifying how ISA 230 "Audit Documentation" should apply to the procedures performed on other information or by specifying additional documentation procedures directly in the proposed standard.

Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group.

Yours Faithfully,

A handwritten signature in black ink, appearing to read "Janine van Diggelen", with a long horizontal flourish extending to the right.

Janine van Diggelen
IFIAR Vice Chair