

Instituut van de Bedrijfsrevisoren
Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

Mr. James Gunn
Managing Director
International Auditing and Assurance
Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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14th of July 2014

Dear Sir,

Re IAASB Exposure draft ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*

The *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren* ("IRE-IBR") is pleased to have the opportunity to provide its comments on the Exposure Draft ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information* issued by the International Auditing and Assurance Standards Board (IAASB).

Please find below our detailed comments on the questions raised by the IAASB, thereby articulating our underlying reasoning in relation to these matters.

Sincerely,



Daniel KROES
President



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Overall considerations

Overall, IBR-IRE believes the revised ED ISA 720 is a significant improvement of the previous draft. IBR-IRE agrees it is important to set principle-based requirements consistent with other ISAs. In revisiting the objectives and requirements to improve the clarity of the proposals, the IAASB considered a view expressed by some that the auditor's responsibilities under ISA 720 should focus on material inconsistencies between the financial statements and the other information that may undermine the credibility of the financial statements—an approach seen by some as better aligned with the auditor's overall responsibilities under ISA 200

Please find below our detailed comments in relation to the questions asked by the IAASB.

Response to specific questions

- 1. In your view, do the stated objectives, the scope and definitions, and the requirements addressing the auditor's work effort (together with related introductory, application and other explanatory material) in the proposed ISA adequately describe and set forth appropriate responsibilities for the auditor in relation to other information?**

IBR-IRE agrees with the position taken by the IAASB in the proposed ISA 720 (Revised) to exclude preliminary announcements of financial information and securities offering documents (including prospectuses) from the scope of the ISA, as Belgian/European legislation already addresses the statutory auditor's responsibilities in relation to these documents. Therefore, we agree with the content of paragraph 7 of this ED.

IBR-IRE thanks the IAASB for incorporating a clear message in paragraph 8 stating that the auditor is not required to obtain any assurance on the "Other information" as defined in paragraph 12 of this ED, as this was a major issue included in the previous ED on which IBR-IRE issued its comment letter on 14 March 2013.

IBR-IRE agrees with narrowing down the definition of "other information" to the "annual report" sections other than the audited financial statements and the related audit report, as this definition is consistent with current audit practice in Belgium. Since the information included in annual report can potentially be broad and diverse, we see a potential expectation gap developing between the responsibilities of the auditor as defined in the ED and the expectations from the stakeholders in relation to non-financial information in particular. Additional wording in the auditor's reporting might be considered to reduce that expectation gap.

In order to avoid confusion about the term "limited procedures" as used in paragraph 15, we suggest to rephrase this paragraph as follows: "As the basis for the consideration in paragraph 14(a), the auditor shall evaluate the consistency between the amounts [...]". Paragraphs A23 to A26 have to be modified consequently.

Clearer guidance would be useful on paragraph 14(c) as to what it means to "remain alert for other indications that the other information appears to be materially misstated" as this could be interpreted in different ways.

It might be of interest to stakeholders and the auditor to clarify the terms "inconsistencies" and "material inconsistencies" as these terms are used in the auditor's statement and provide a definition. Currently only the concept of misstatement of the other information is defined in paragraph 12. Additional guidance on materiality would also be useful as materiality in relation to the other information included in the annual report may vary in function of the sensitivity of certain information for specific stakeholders.

2. In your view, are the proposals in the ISA capable of being consistently interpreted and applied?

IBR-IRE believes the proposals will be interpreted in a different way and the application will not be consistent due to the use of certain terms that could either be misinterpreted (e.g. use of terms "limited procedures") or are insufficiently defined in the current ED (material inconsistency, etc.). We refer to our response to question 1.

3. In your view, do the proposed auditor reporting requirements result in effective communication to users about the auditor's work relating to other information?

Yes, IBR-IRE believes the proposed auditor reporting requirements will result in effective communication. Nevertheless, IBR-IRE believes it is important to eliminate all possible ambiguity as to the moment where the work effort of the auditor in relation to other information stops.

We believe that paragraph 21 should more clearly articulate the fact that the auditor's responsibilities for the other information as per ISA 720 and his reporting thereon should be the subject of a separate section in the auditor's report at the end of the first part of the auditor's report. In addition, we believe that the use of a consistent wording in the heading of that paragraph would provide greater consistency in the auditor's report and increase its understandability, or, alternatively, to the addition of a paragraph in the second part of the auditor's report. Given the Belgian and European legislation, we prefer this additional paragraph to be included in the second part of the auditor's report. We also believe more guidance is necessary with respect to the positioning of the "Other Information" paragraph to address the interaction between ISA 720 and the auditor's report as to other reporting responsibilities (part II) in case there is a legal requirement for the auditor to report on this Other Information.

The text of the example in paragraph A48 includes the following phrases:

"In reading the other information, our responsibility is also to remain alert for other indications that the other information appears to be materially misstated."

We believe that the reader should be informed of the fact that this "process of being alert" stops when we have determined that there is (no) such material misstatement of the other information and never extends to the information published after the financials statement. Therefore, we prefer to change the next sentence as follows: *"If we finally determine that the other information is materially misstated, we are required to report that fact"*.

4. Do you agree with the IAASB's conclusion to require the auditor to read and consider other information only obtained after the date of the auditor's report, but not to require identification of such other information in the auditor's report or subsequent reporting on such other information?

IBR-IRE agrees with the IAASB's conclusion but believes a statement to that effect should be included in the Other Information paragraph.

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