



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

Chairman

Via email: arnoldSchilder@iaasb.org

Mr Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
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Exposure Draft: Proposed ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information

Dear Mr Schilder

The Basel Committee on Banking Supervision ("the Committee") welcomes the opportunity to comment on the IAASB's April 2014 Exposure Draft (revised ED) of proposed International Standard on Auditing (ISA) 720 (Revised): *The Auditor's Responsibilities Relating to Other Information*. As noted in our March 2013 comment letter to the IAASB on its November 2012 Exposure Draft (November 2012 ED) on this topic, we continue to have a strong interest in ensuring that banks' published financial and non-financial information help to exert effective market discipline over these institutions. In addition, the Committee recognises the key role auditors play in identifying and requesting correction of material inconsistencies in other information accompanying the audited financial statements.

The Committee supports the proposed changes from the November 2012 ED. We believe that these proposed changes should result in an ISA 720 that is capable of consistent interpretation, application and enforcement. In particular, by limiting the requirements of the ISA to other information included in the annual report, the revised ED seeks to achieve something that we regard as more sensible and understandable than the scope of the November 2012 ED.

However, in our view, certain parts of the revised ED could include additional guidance on the type and extent of the appropriate procedures expected from the auditor. For example, the proposed ISA includes various references to "appropriate action(s)" (eg paragraphs 18, 19(b) and A45), "the auditor may choose to perform" (eg paragraph A23), the need for "professional judgment ... in deciding whether, and the extent to which" the auditor considers certain sources of information (eg paragraph A30) and "the nature and extent of other procedures the auditor may perform" (eg paragraph A37).

The Committee appreciates the importance of auditors applying their professional judgment in determining the appropriate procedures to be performed to achieve

their objectives. However, we believe that the references mentioned above could result in inconsistencies in the application of the proposed ISA by auditors.

The Committee believes that a higher level of consistency could be achieved if the IAASB were to include clear criteria on the circumstances in which and the extent to which procedures should be performed or action should be taken by an auditor. Alternatively, the IAASB could specify the minimum procedures the auditor should undertake. The ISA could then acknowledge that if it is not possible for the auditor to perform these procedures or take these actions (eg due to limitations imposed by regulations), the auditor will need to take alternative appropriate action.

This letter has been prepared by the Committee's Accounting Experts Group, which is chaired by Mr René van Wyk, Registrar of Banks, South African Reserve Bank. If you have any questions regarding the above comments, please feel free to contact Mr van Wyk (+27 12 313 3601) or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Stefan Ingves', is centered on the page. The signature is fluid and cursive.

Stefan Ingves