

18 July 2014



Ms Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
529 5th Avenue, 6th Floor
New York, New York 10017

Via electronic submission

Dear Ms Healy

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Proposed International Standard on Auditing (ISA) 720 (Revised)

CPA Australia welcomes the opportunity to provide input to the International Auditing and Assurance Standards Board in regard to the above Exposure Draft (ED-720). CPA Australia represents the diverse interests of more than 150,000 members in 121 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

As outlined in our submission on the previous ISA 720 Exposure Draft issued in 2012 (ED-720 2012), CPA Australia recognises the growing prominence placed on information outside audited financial statements for decision making in capital markets. In light of this trend, it is appropriate to reconsider the auditor's role in respect to such information. We commend the IAASB for its efforts in addressing this increasingly important and challenging area.

The amendments made since ED-720 2012 largely resolve the specific, practical areas of concern CPA Australia raised in its response to that proposal. In doing so, the current ED-720 has been narrowed in scope which we believe is entirely appropriate in the context of the current project.

A central recommendation raised in our previous submission was that a more full and unconstrained examination of the role auditing and assurance can and should play in meeting needs that exist within capital markets with respect to other information would be highly desirable. We again make this recommendation, particularly in light of the demands outlined in paragraph 2 of the explanatory memorandum of ED-720 (the EM).

Scope of other information

CPA Australia supports the approach taken in ED-720 of containing the auditor's responsibilities in regard to other information to documents contained within the annual report.

Nature and extent of responsibilities

CPA Australia supports the approach taken in ED-720 of focusing the nature and extent of the auditor's responsibilities relating to other information on identifying material inconsistencies and information that could undermine the credibility of the financial statements.

Paragraph 27 of the EM explains that the IAASB chose not to include a definition of 'inconsistency' in order that the term would take its 'ordinary dictionary meaning'. The rationale for this was to address concerns raised in regard to ED-720 2012 that the definition proposed was too subjective and may lead to divergence in practice. We are of the view that not defining the term could lead to even greater divergence in practice, given possibly different interpretations between individuals, dictionaries and jurisdictions.

Given the term 'inconsistency' is instrumental in the primary responsibilities created by ED-720, we recommend that the term is defined. We propose the definition included in the current ISA 720 is appropriate with minor adjustment as follows:

Inconsistency – other information that contradicts or is not in keeping with information contained in the audited financial statements.

Auditor reporting

CPA Australia supports the approach taken in regard to auditor reporting in ED-720.

Information obtained after signing auditor's report

CPA Australia supports the approach taken in regard to information obtained after signing auditor's report in ED-720.

Jurisdictional considerations

We note some of the issues involved in the auditors' responsibilities relating to other information may need to be addressed at a jurisdictional level. For example, concerns around manipulation of information obtained after signing the auditor's report and the boundaries of information included in annual reports, including for different types of entities such as not for profits, are matters that may arise at a jurisdictional level and would require input from national standard setters, regulators and other stakeholders.

If you require further information on any of our views expressed in this submission, please contact Amir Ghandar, CPA Australia by email at amir.ghandar@cpaaustralia.com.au.

Yours sincerely



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