

14 July 2014

Professor Arnold Schilder
Chairman
International Auditing & Assurance Standards Board
529 Fifth Avenue 6th Floor
New York
NY 10017

Dear Professor Schilder

Comment Letter Proposed ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information

Crowe Horwath International is delighted to present a comment letter on *Proposed ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information*. Crowe Horwath International is a leading global network of audit and accounting firms, with members in some 118 countries.

We welcome the exposure draft presented by the IAASB. We acknowledge the efforts that the IAASB has made, over a number of years, to consult and listen to views, in developing a revised ISA 720. We address below the specific matters detailed in the IAASB's request for comments.

Whether, in your view, the stated objectives, the scope and definitions, and the requirements addressing the auditor's work effort (together with related introductory, application and other material) in the proposal ISA adequately describe and set forth the appropriate responsibilities for the auditor in relation to other information.

The proposed ISA has been clearly presented. The objectives directly address the issue of the auditor's responsibilities relating to other information. The scope section is an appropriate introduction to the ISA.

Presenting definitions of "annual report", "other information" and "misstatement of the other information" is not easy because of the evolution of reporting practice and the demise of the "traditional" form of single paper document as the "audit report". The proposed definition of "annual report" contains 122 words. A definition of this length can appear disappointing, and unhelpful for closing the "expectations gap". A long and detailed definition is not easy to communicate.

However, in view of the difficulties that the IAASB has encountered in developing a revised

ISA 720 the definitions can be tolerated, as being part of the solution to deliver an ISA.

The requirements of the proposed ISA are set out in a straightforward way. As an observation, it would be helpful to more reference in both the “requirements” and the “application and other explanatory material” about the auditor’s documentation of the work performed in reading and considering the other information.

The appendix (crossed referred from paragraph A5) may be seen as an incomplete example of the range of “other information” presented. There is little in the appendix that relates specifically to the “other information” presented in the types of reports that are mentioned in paragraph A3. A1, A3 and A5 do not refer to “Director’s Remuneration Reports”.

It would be helpful if the text of the ISA contains an acknowledgement that annual reporting by a small or medium-sized entity tends to be relatively straightforward.

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

The proposed ISA has emerged from a lengthy process of development. The ISA clearly states that “limited procedures” are required. Provided that, in practice, limited procedures are applied and that attention is given to the IAASB’s notion of the “intelligent read” then the proposals are capable of being consistently interpreted and applied.

We encourage the IAASB to refer to the “intelligent read” when publishing the standard and communication about its purpose.

Whether, in your view, the proposed auditor reporting requirements result in effective communication to users about the auditor’s work relating to other information.

As the auditor is not giving an opinion on the “other information”, we acknowledge that composing reporting requirements is not easy. Therefore, taking into account the nature of the auditor’s responsibilities relating to other information, the proposed form of reporting is adequate. As a set of words it addresses the requirements of the standard and the nature of the auditor’s responsibilities. However, stakeholders could criticise a form of words that states no audit has been performed and therefore no opinion or assurance is given.

Whether 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 information in the auditor’s report or subsequent reporting on such other information.

We agree with the IAASB’s conclusion.

We trust that our comments assist the IAASB in their development of ISA 720 (Revised). We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Chitty', written in a cursive style.

David Chitty
International Accounting and Audit Director