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July 17, 2014

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017

Subject: International Auditing and Assurance Standards Board April 2014 Exposure Draft, *Proposed International Standard on Auditing (ISA) 720 (Revised), The Auditor's Responsibilities Relating to Other Information and Proposed Consequential and Conforming Amendments to Other ISAs*

This letter provides the U.S. Government Accountability Office's (GAO) comments on the International Auditing and Assurance Standards Board's (IAASB) revised exposure draft on the auditor's responsibilities relating to other information.

We welcome the enhancements made to the November 2012 exposure draft, including those that addressed certain issues relating to GAO's comments raised in our March 14, 2013, letter. However, we would like the IAASB to further consider the points outlined in our comments below. GAO's comments on the specific matters requested by the board follow the General Comments section.

General Comments

Other Information Obtained Prior to the Date of the Auditor's Report

Since the proposed standard would require reporting only when the other information is received prior to the date of the auditor's report, inconsistencies may develop in reporting on other information, potentially resulting in less clarity to the multiple stakeholders.

The reporting requirement in the proposed paragraph 21 is applicable: "When the auditor has obtained the final version of all or part of the other information prior to the date of the auditor's report." Paragraph A47 indicates that "When the auditor has not obtained the final version of the other information prior to the date of the auditor's report, this ISA does not require the auditor to include a section in the auditor's report addressing other information."

As in practice it is common to receive final other information around, but not necessarily before, the audit report date, the proposed standard may result in audit reports with no mention of the auditor's responsibilities relating to other information because of the timing of receipt of other information. Users may see some audit reports with a section describing the auditor's responsibilities as to other information, and at the same time see other audit reports, consistent with paragraph A47, with no mention of the auditor's responsibilities relating to other information. The proposed reporting, which would be required in some cases and discretionary in others, would not appear to address adequately the IAASB's goal of "greater clarity and enhanced consistency around the world regarding the auditor's responsibilities relating to other information."

Accordingly, we suggest that the emphasis of the standard be on the audit report release date (i.e., the date the auditor grants the entity permission to use the auditor's report) instead of other information received "prior to the date of the auditor's report." Consistent with ISA 560, *Subsequent Events*, the auditor's receipt of other information before the audit report release date in our view generally would be a fact to be considered before release of the audit report. In addition, we suggest that the reporting requirement for other information apply to all circumstances where the auditor reasonably expects that other information will be included with the auditor's report and financial statements, regardless of when the auditor receives such information. Under such a requirement, the auditor's report would consistently inform the user of the auditor's responsibilities, what the auditor did in the specific case, and whether the auditor has anything to report.

Considerations Specific to Public Sector Entities

Concerning paragraph A42, we suggest that it be enhanced to read as follows: "In the public sector, withdrawal from the engagement may not be possible. In such cases, the auditor may issue a report to the legislature providing details of the matter, **take other appropriate actions, or both.**" Given the variety of governance and oversight structures in the public sector, such additional language may be helpful to accommodate the specific circumstances.

Comments on Specific Matters Requested by the IAASB

- 1. 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 explanatory material) in the proposed ISA adequately describe and set forth appropriate responsibilities for the auditor in relation to other information.**

In general, the objectives, the scope and definitions, and the requirements addressing the auditor's work effort in the proposed ISA appear adequate.

However, as discussed above, we suggest that the emphasis of the standard be on the audit report release date instead of other information received "prior to the date of the auditor's report." In addition, we suggest that the reporting requirement for other information apply to all circumstances where the auditor reasonably expects that other information will be included with the auditor's report and financial statements, regardless of when the auditor receives such information.

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

As noted in our General Comments section, the lack of clarity as to reporting requirements for other information received on or after the report date but before the report release date could result in inconsistent application. Paragraph A47 states that "When the auditor has not obtained the final version of the other information prior to the date of the auditor's report, this ISA does not require the auditor to include a section in the auditor's report addressing other information." While paragraph 19 and the application and other explanatory material provide certain guidance for when the auditor determines that a material misstatement exists in other information obtained after the date of the auditor's report, the proposed standard is not clear on what the auditor should do if the auditor becomes aware of such material misstatement in other information before the release of the audit report. As discussed above, we suggest that the

standard emphasize the audit report release date rather than final version of all or part of other information received prior to the opinion date.

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

We believe the proposed requirements result in effective communication but only when applicable. Given the "obtained the final version of all or part of the other information prior to the date of the auditor's report" language in the proposed standard, in many situations the reporting requirement will be at the discretion of the auditor, the issuer, or both. We do not believe that such discretion will help achieve the IAASB's goal of providing "greater clarity and enhanced consistency." Accordingly, we suggest that the reporting requirement for other information apply to all circumstances where the auditor reasonably expects that other information will be included with the auditor's report and financial statements.

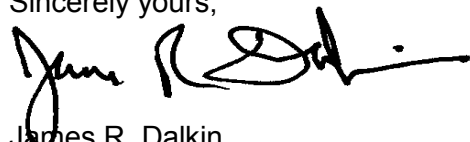
4. Whether you agree with the IAASB's conclusion to require the auditor to read and consider other information only obtained after the date of the auditor's report, but not to require identification of such other information in the auditor's report or subsequent reporting on such other information.

We agree that the auditor should read and consider other information obtained after the date of the auditor's report. However, we suggest that the reporting requirement for other information, including identification of such other information, apply to all circumstances where the auditor reasonably expects that other information will be included with the auditor's report and financial statements, regardless of when the auditor receives such information. In addition, as discussed above, we suggest that the emphasis of the standard be on the audit report release date instead of other information received "prior to the date of the auditor's report."

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We thank you for considering our comments on this important issue as the IAASB continues to clarify the auditor's responsibilities relating to other information in an effort to improve the auditor's report and to augment the report's relevance and usefulness to stakeholders.

Sincerely yours,



James R. Dalkin
Director
Financial Management and Assurance