



18 July 2014

Our Ref.: C/AASC

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York
NY 10017
USA

Dear Sirs,

Exposure Draft on IAASB's 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

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide our comments on the captioned IAASB Exposure Draft (ED).

We support in principle the IAASB's continuing efforts to narrow the expectation gaps and to address practitioners' concerns in the revised ED. However, we note the IAASB has not fully considered our recommendation in our March 2013 submission to undertake a separate project of studying whether a separate assurance engagement on other information would serve the needs of the market. Our responses to the specific questions in the ED are included in the attachment.

We trust that our comments are of assistance to the IAASB in finalising the ED. If you require any clarification on our comments, please do not hesitate to contact our Selene Ho, Associate Director at selene@hkiipa.org.hk.

Yours faithfully,

Simon Riley
Acting Director
Standard Setting Department

SH/jn
Encl.



HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS'
COMMENTS ON THE IAASB'S EXPOSURE DRAFT ON ISA 720 (REVISED)
THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

Request for Specific Comments

- 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.**

We appreciate the IAASB attempts to clarify the definitions and objectives. However, we note that the definition of "inconsistency" has been removed from the revised ED. We are of the view that the IAASB should define "inconsistency" as the requirements in paragraphs 14 and 15 refer to "inconsistency". We propose the IAASB to consider the definition in the extant ISA 720 which is made with reference to audited financial statements.

In the illustrative statement set out in A48, it is clear that the responsibility of the auditor is only to read the other information and consider whether there is a material inconsistency between that information and the financial statements, or the auditor's knowledge obtained during the course of the audit. Therefore, we are of the view that the proposed new requirement to remain alert for other indications that the other information appears to be materially misstated in paragraph 14(c) appears to extend the scope beyond the audited financial statements. In addition, the guidance in A33 points out an example which is beyond the information in the financial statements, but it does not provide further guidance on what is the appropriate action in such circumstances. The auditor may not be in a position to identify such inconsistencies unless the matter has been included in the financial statements.

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

We are of the view that the IAASB should define "inconsistency" for greater clarity.

- 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.**

Except for the inclusion of the responsibility to remain alert for other indications that the other information appears to be materially misstated, we believe the report wording generally reflect the auditor's work on other information.



- 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.**

Though the proposed ED is drafted on the basis that the auditor's responsibilities relating to other information, other than the reporting responsibilities, apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor's report, there is little guidance on other information obtained after the date of the auditor's report.

There should not be any additional responsibility on the auditors to report on such other information obtained after the date of the auditor's report other than in consideration for implications on the audited financial statements.

~ END ~