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Date                      Re                      Our ref                      Attachment

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ED ISA 720

KvH

Dear Mr. Gunn,

**Re: Re-exposure ISA 720**

The NBA appreciates the opportunity to comment on the Exposure Draft of ISA 720 “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?*

**Objectives**

We have the following remarks regarding the objectives:

- Paragraph 11(a) and (b) should state ‘whether there appears to exist’ instead of ‘whether there is’ to align with paragraph 11(c).
- The relation between the objectives of ISA 200 and ISA 720 are unclear. The objective of ISA 720 might lead to identifying material misstatement in the financial statements. At the same time it is not necessary to read the other information prior to the date of the auditor’s report. This can only be true if reading the other information does not contribute to obtaining reasonable assurance (ISA 200 11(a)). We encourage the IAASB to explain this apparent conflict in the standard.
- The standard could explain that this objective contributes to the requirement of not being associated with misleading information from the Code of Ethics.

**Scope**

We recommend rephrasing the first sentence in par. 1:

“This International Standard on Auditing (ISA) deals with the auditor’s responsibilities relating to other information.

Other information is a defined term within the standard and the ISA’s (glossary of terms). Therefore no further explanation is necessary in this paragraph as this might only be confusing.

**Definitions**

The definitions are clear. Flexibility in the definition of annual report is acceptable in our opinion because this may differ in various jurisdictions. Furthermore, the responsibilities of the auditor may be different in various jurisdictions.

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The concept of 'material misstatement' is introduced for other information. This concept is normally associated with audit procedures. The other information is however not audited. Nevertheless, decisions of users could be influenced by 'material misstatements' in the other information. In our view the concept can be used for other information as well.

### Requirements

The concept of 'limited procedures' is not clearly defined although some examples are provided. We recommend to make this concept more clear as confusion might arise with the concept of 'limited assurance'.

The terms 'read and consider' might not be clear. The term 'consider' is used in various ISAs and might have different meanings. We wonder whether the concept of 'reading and considering' is sufficiently clear when concrete procedures need to be performed. It needs to be clear that actions are required if there appears to be a material inconsistency.

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

As already stated in the proposed ISA, law and regulation will vary across jurisdictions, so professional judgment will be necessary. Member bodies in the various jurisdictions may find it helpful to promulgate jurisdiction-specific additional explanatory application material, in order to serve the process of making appropriate professional judgments by their members."

*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?*

The statement clarifies:

- the other information taken into account,
- that no assurance engagement applies on the other information,
- the auditor's procedures, and
- reporting.

It is positive for users that the auditor explicitly reports the work and the result, instead of the extant situation in which users of the auditor's report are not sure about the auditor procedures and, if applicable, his findings.

*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 reads and considers other information obtained after the date of the auditor's report. We suggest to implement requirements in ISA 210 to discuss and agree the scope of the Other Information that should be prepared by the client before the auditor's report will be issued and to state the Other Information in the engagement letter. If this agreed information is (not) received before the date of the auditor's report it should be disclosed in the auditor's report.

Finally, it is unclear what the auditor shall do when a material misstatement of the financial statements is identified upon receipt of other information after the date the financial statements are issued. The statement included in paragraph 10 of ISA 560 does not deal with this situation nor does this proposed ED.

In the Netherlands this situation will be rare. If not all required other information is obtained then the auditor's report will be postponed. If there is a material misstatement after publication of the financial statement and related other information, the auditor should inform the client. The client should take all the necessary actions to correct the information that has been published. In our opinion, this ED should not change this situation. The auditor should not be forced to issue the auditor's report if he has not received all the required other information.

### Other remarks

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**Expectation gap**

In our view, there might still be an expectation gap as users might expect assurance from the auditor regarding the other information. More specifically, users may expect that the auditor performed a full scope test on the other information, although it is mentioned that no assurance is being expressed in the context of the financial statement audit. In our view an explicit statement that auditors could accept a separate assurance engagement to express a conclusion on the other information could help preventing an expectation gap to occur.

**Translations**

As already mentioned above, the word 'consider' has different meanings and is difficult to translate. Furthermore, long sentences are difficult to translate.

**Effective date**

The developments in the revised ISA 700 and 701 relating to auditor's reporting are also relevant for the revised ISA 720. Key audit matters might include commentary regarding other information. Therefore we recommend IAASB to publish the revised ISA 720 in conjunction with the revised ISA 700 and 701.

**Specific paragraph**

We do not agree to the text in paragraph A7. We fully understand that financial statements provided in another format, (for instance in an XBRL format, as an unofficial translation or when a PDF is published as a complement to a HTML version of the financial statements on a website) in itself do not represent other information.

At the same time an XBRL instance might be the only format in which financial statements or annual reports are published. We expect to provide assurance on these types of financial statements in the Netherlands within a short period of time.

Therefore we suggest to explain in A7 that providing the financial statements in a different format in itself does not contemplate other information. At the same time we should realize that questions might be raised by stake holders what the responsibilities of the auditor are when the financial statements are provided in a different format accompanying the original information.

**Closing remarks**

We trust to have you informed sufficiently. If you have any questions, please do not hesitate to contact Karin van Hulsen (k.vanhulsen@nba.nl)

Yours sincerely.

NBA Dutch Ethics & Assurance Standards Board

*SIGNED BY:*

Prof. dr. Peter W.A. Eimers RA  
Chairman

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The logo for the Nederlandse Beroepsorganisatie van Accountants (NBA) features a solid orange horizontal bar above the letters 'NBA' in a bold, orange, sans-serif font.