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Mr James Gunn  
Managing Director, Professional Standards  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14th Floor  
New York, NY 10017 USA

XX July 2014

Dear Mr. Gunn,

**Re: Exposure Draft (April 2014): Proposed International Standard on Auditing (ISA) 720 (Revised), “The Auditor’s Responsibilities Relating to Other Information. Proposed Consequential and Conforming Amendments to Other ISAs**

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to have the opportunity to respond to your invitation to comment on the Auditor’s Responsibilities Relating to Other Information.

As explained in our letter dated 8 October 2012 with respect to the Invitation to Comment on Improving the Auditor’s Report and our first letter on this Exposure Draft dated 14 March 2013, the financial crisis intensified concerns about the effectiveness of the audit process as well as the public’s understanding of that process. Key stakeholders and legislators, including the US Public Company Accounting Oversight Board (PCAOB), the European Commission and financial statement users, have expressed a desire for more information regarding information contained in documents released with the financial statements (hereafter referred to as “other information”). It is important that the profession seeks to address those concerns in a measured and timely manner, to enhance confidence in the audit process and ultimately the capital markets. As such, we commend the IAASB in its consideration of the comments received on the March 2013 exposure draft and we continue to be supportive of the IAASB’s efforts to clarify the auditor’s responsibilities with respect to other information.

In forming our responses to this Exposure Draft, we focused our responses on major themes we believe to be pervasive and important, as follows:

- 1) Management, first and foremost, has the responsibility for communicating information about the entity to users of its financial statements.
- 2) Any changes to auditor reporting should serve to lessen the expectations gap, not widen it.

## Responses to specific questions

**Q1: 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.**

Overall we agree with the stated objectives, scope and definitions as proposed. In our view the objectives are clear and require of the auditor an appropriate level of scrutiny over information relevant to the wider audit process.

With respect to paragraph 15 we note that throughout the proposed ISA, including the objectives, the benchmark for evaluation or consideration is “material inconsistency”, whereas in this paragraph the auditor is asked to evaluate “consistency”. We consider that the use of “consistency” as the test is not consistent with the objectives of the ISA and could be the cause of difficulties applying the proposed limited procedures. We recommend that this paragraph 15 be redrafted to require the auditor to “... evaluate whether there is a material inconsistency between the amounts ...”, together with conforming changes to paragraph A23, A24 and A25.

**Q2: Whether, in your view, the proposals in the ISA are capable of being consistently interpreted and applied.**

Subject to our comment on paragraph 15 above, in our view the proposals in the ISA are capable of being consistently interpreted and applied.

**Q3: 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 continue to support additional transparency in the auditor’s report with respect to the auditor’s responsibilities related to other information, and specifically support, as of the date of the auditor’s report, a description of the auditor’s responsibilities with respect to the other information, identification of the other information read by the auditor, and clarification that the auditor did not perform an audit of the other information, in order to mitigate the risk that financial statement users may inappropriately infer that the auditor has a greater responsibility with respect to other information than required under the Extant ISA 720.10. However, the auditor providing a statement that the auditor has nothing to report when a material misstatement has not been identified, might imply a level of assurance that is inconsistent with the auditor’s responsibilities under the current proposals, even though the auditor makes a statement in the auditor’s report that the auditor did not audit the other information. As opposed to requiring the auditor’s report to contain these statements, we recommend that it be revised to describe material misstatements only in instances where an uncorrected material misstatement has been identified.



**Q4: 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 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 would be pleased to discuss our comments further with members of the IAASB or its staff. If you wish to do so, please contact Robert Dohrer (tel: +44 207 601 1080; email: robert.dohrer@rsmi.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Dohrer', with a long, sweeping flourish extending to the right.

**Robert Dohrer**  
**Global Leader - Quality and Risk**  
**RSM International**