



**International Standard on Auditing 720 (Revised), The Auditor's
Responsibilities Relating to Other Information**

**Proposed Consequential and Conforming Amendments to Other
ISAs**

RESPONSE FROM ICAS TO THE IAASB

18 July 2014

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Background

ICAS welcomes the opportunity to comment on International Standard on Auditing 720 (Revised), The Auditor's Responsibilities Relating to Other Information: Proposed Consequential and Conforming Amendments to Other ISAs.

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's and the world's great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

General comments

Overall, ICAS welcomes the revised Exposure Draft and acknowledges that there has been some clarification around the expected work effort and responsibilities of the auditor.

We do believe, however, that greater clarification could be provided by enhancing some of the definitions and terminology used in the Exposure Draft in order to help facilitate consistent application of the revised standard. These potential enhancements are referred to in greater detail in the specific matters section below.

We also have some concerns over the requirements in the standard regarding the auditor's responsibility in relation to other information received after the date of signing of the auditor's report and fear that this may widen the expectation gap.

We would also welcome more detailed guidance in the application material on the practical implications of implementation of ISA 720 for SMEs.

Finally, ICAS continues to lead the debate over ways in which to reduce the expectation gap between what users believe they are receiving in the form of assurance, and what they actually receive, through our follow paper to the Balanced and Reasonable paper issued in April 2013. This follow up paper: Assurance on Management Commentary – Where Next?; was issued in April 2014 and listed a number of future projects to continue the discussion. The projects aim to explore how we can determine the extent of assurance currently being provided to users, and over what information, and whether this can be extended beyond the current remit to better inform the end users and enhance the credibility of the information with which the auditor is associated.

We hope to be in a position to report on some of these projects in the next 12 to 18 months and look forward to further engagement with the IAASB to continue the debate.

Comments on the specific matters in the consultation document

Question 1

Whether the stated objectives, the scope and definitions and the requirements addressing the auditor's work effort (together with the 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.

Response to question 1

As far as the objectives and requirements in the proposed revised standard are concerned, we would suggest the inclusion of an explicit statement within these areas that the auditor is not required to obtain assurance on other information, as stated in paragraph 8 of the Scope of the ISA and within paragraph 21 (b) of the Reporting section.

Question 2

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

Response to question 2

Consistent interpretation and application of the standard may prove difficult as a result of the terminology used, for example: 'consider'; and 'evaluate' as referred to in paragraph 14(a) of the standard.

We believe that the term 'consider' is open to interpretation depending upon the context in which it is used and therefore the extent of the auditor's work effort and responsibility is not clearly defined.

In addition, the term 'evaluate' is used in paragraph 15 in relation to work required to ensure the consistency of the other information with the financial statements and this term implies greater work effort than that implied by the requirement to 'read and consider'.

Therefore, a clear distinction between these two terms would be helpful along with examples of situations where the obligation to 'read and consider' would be sufficient and examples of situations where an 'evaluation' might be necessary.

The term 'limited procedures', as used in paragraph 15, also causes confusion for the same reasons noted above and therefore similar additional guidance and explanatory material, including examples, would be helpful to encourage consistent interpretation and application.

Question 3

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

Response to question 3

We believe that the proposed auditor reporting requirements result in effective communication to users about the auditor's work relating to other information, subject to our response to question 4 below on the auditor's responsibility in relation to other information received after the date of signing of the audit report.

Question 4

Whether 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.

Response to question 4

While we acknowledge that information obtained after the date of the auditor's report requires consideration by the auditor, we believe that appropriate arrangements should be put in place between the auditor and the organisation to ensure that all other information is received in advance of the sign off. This has currently been mandated in the UK through amendments and additions to the ISAs. This would require removal of the words: 'if possible' from paragraph 13 (b) of the revised standard and paragraph A15 of the Application and other explanatory material.

Question 5

Other matters relating to application material:

Response to question 5

As stated in our general comments section above, we would consider it helpful if further guidance on the practical application and implementation of ISA 720 for the SME environment was provided. Perhaps the most appropriate place for this guidance would be in the application material.

Question 6

Effective date of implementation

Response to question 6

We believe that it is sensible to align the implementation date of ISA 720 with the anticipated implementation date of revised standards arising from the auditor reporting project so as to avoid an unnecessary staggered and burdensome implementation process.