

**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, July 18th, 2014

Members of the Group
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB).

REF: **Proposed International Standard on Auditing (ISA) 720 (Revised)**.

Dear Members of the Group,

The Inter-American Accounting Association (AIC – in Spanish), welcomes the opportunity to comment on **The Auditor's Responsibilities Relating to Other Information. Proposed Consequential and Conforming Amendments to Other ISAs**

This reply summarizes the views of different member countries of the AIC, according to the following due process:

Due process:

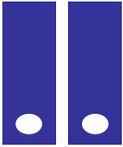
The Draft was submitted to the different AIC member, the Inter-American Technical Commissions (AIC) and the Sponsor Organizations (OP), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and OP, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Gustavo Gil Gil
PRESIDENT



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Comment Letter of the Interamerican Accounting Association- AIC on the document for public discussion referred to The Auditor's Responsibilities Relating to Other Information. Proposed Consequential and Conforming Amendments to Other ISAs (IAASB)''

We have answered the four questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

The 'spirit' of this standard is good because it forces the Report and Independent Auditor's Opinion to be more comprehensive and it does not necessarily limit financial assessment being indispensable which during review uses other information.

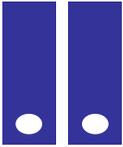
The Standard is called "The Auditor's Responsibilities Relating to Other Information," however; "other information" should be specified. Also a majority of the Commissions found the following widely dispersed: The scope (number 5), in the definitions themselves and even in other sections of the standard (application and other explanatory material) and appendices.

The definition of the other information is very general and refers us to the definition given in the Annual Report which could be highly variable depending on the type of organization, it was tried to save this aspect with the inclusion of the section "application and other explanatory material " and with an appendix but the material is still scattered and results not to be clear enough. Moreover, point 5 of the scope even indicates that "other information may include other matters."

Since the other information represents the heart, the core of the standard, its definition should be expanded and centralized and clearly indicate what is covered by this information instead of defining the term with the use of another definition (the Annual Report), or by referring to another section or appendix, which also is not sufficient. This would facilitate the evaluation with a better perspective and extent of the scope of the standard, requirements, responsibilities and impacts for preparers and users.

Finally, we recommend a review of the overall structure of the standard, precision and broader definitions and scattering; and a better translation to Spanish. Cases and/or examples may also be valid.

Maybe because it becomes necessary to extend the study and projecting the standard of the "Other State" which summarizes the overall management of the company with a standardized model to be applied by different organizations, and which was discussed in the last CIC in Punta del Este in our area, this could be very useful for the objectives and purposes of the discussed ISA.



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Question 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.

Initially, the proposed ISA does adequately describe and establish appropriate responsibilities of the auditor, with relation to other information in a general manner. However, we believe that there are terms used which can confuse the interpretation of what this standard intends to encompass. For example, the objectives state that one must "**consider whether there is a material inconsistency**", but nevertheless, in the definitions this inconsistency is not defined, but rather in subsection the following is defined "**b) incongruity**", and within the content of the standard in a few paragraph, "Inconsistency or Errors of Relative Importance" is included and apparently as synonyms," as stated in the following examples:

Read and consider the other information

14. *The auditor should read the other information and while doing so the auditor should: (Ref.: Par A20-A21)*

- a) *Consider if a **material inconsistency** exists between the other information and the financial statements (Ref.: Par A22-A26)*

Responding when a material inconsistency appears to exist or other information appears to be materially misstated

*If the auditor identifies that **a material inconsistency** appears to exist (or the auditor is aware of other information that appears to be materially misstatements), the auditor should discuss the matter with management, and if necessary, the auditor should perform other procedures to determine if: (Ref. Par. A34-A38):*

Responding when the auditor determines that a material misstatement of other information exists.

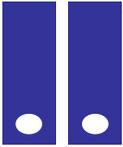
*If the auditor determines that a **material misstatement** of other information exists, the auditor should request management to correct the other information. If management:*

17. ***Considering whether there is a material inconsistency between the other Information and the financial statements (Ref.: Point 14 (a)).***

Responding when a material inconsistency appears to exist or other information appears to be materially misstated (Ref.: Par 16)

A34. *The auditor's discussion with management about a material inconsistency (or other information that appears to be materially misstated)*

A37. *As there is a wide range of possible **material misstatements of the other information**, the nature and extent of other procedures the auditor may perform to determine whether a material misstatement of the other information does exist are a matter of the auditor's*



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professional judgment in the circumstances.

Responding When the Auditor Determines That a Material Misstatement of Other Information Exists (Ref.: Par 18)

Therefore, we consider that the terms "material inconsistency or incongruity importance" should be unified in the standard as **Material Errors, or Material Misstatements**, with the aim of better understanding and application.

In general, we also consider it important that greater management responsibilities are established, which is ultimately based on the fact that management must ensure that the information complies with the generally accepted accounting framework.

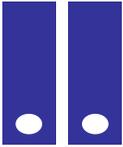
Question 2 Whether, in your view, the proposals in the ISA are capable of being consistently interpreted and applied.

We believe so, because it is also based on an approach of Relative Importance, for which the auditor should have a clear perspective and definition of what is considered "material" to be able to hold conclusions to that parameter and to what is considered "Ethical", allowing the auditor to cover the aspects related to obtaining false or misleading information that may affect the auditor, especially at all times maintaining professional skepticism as required by ISA 200.

Furthermore, we understand that the focus of the standard must be increasingly aimed at establishing "principles" before applying a "checklist" of procedures, since the latter prevents the possibility of the ISAs to be applied consistently in each country or region. Instead, a focus based on principles assists the standardization and simplicity of its implementation.

With the above unification, the proposals of the standard are able to be interpreted and applied consistently.

Question 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.



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We believe that with the proposal under "study" responsibilities would be assigned to auditors which do not correspond, considering that the auditor should corroborate and not create. In this regard, we believe that the new proposed requirements rub the line of "self-review" of the work, which is not consistent with the fundamental principles governed by the ISAs.

On the other hand, both financial reporting and the report issued by the Auditor himself, in most of the opportunities is so extensive and technical, that is does not produce effective communication towards the users, in some cases accurate translation into everyday language should be considered so that it can be properly interpreted by users. Therefore we usually include a paragraph in our report that indicates that no material misstatements in the other information exist, which we understand will be less effective in terms of communication with users.

There is no doubt that there are some users accustomed to the interpretation of the information, but for the end user such communication should be facilitated, especially when dealing with shareholders and suppliers, among other users.

Therefore, we suggest that this is only included in the report by exception, i.e. only if the auditor determines that **Material Errors or Material Misstatements** exist, between the financial information and the other information.

Question 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.

The auditor implicitly must always be informed of the conditions affecting the Company. In this sense, we believe it to be important to align these requirements to the subsequent event guide, and on the or until the date it actually reaches the auditor's responsibility. We believe that it does NOT correspond to force the auditor to read documents after date and submit his/her report, even more when it is not possible to know at that time, if the same auditor will continue in the next period, which if so, would imply committing him/her beyond of his/her normal responsibilities.

It is important to note that in the majority of cases, auditors already conduct the evaluation of any other information produced by companies which serves them to communicate in a more accurate and timely manner the results of their operations and administration with the users.