



Exposure Draft: ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

Comments from the Swedish National Audit Office
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Comments due by July 18, 2014

The Swedish National Audit Office (Swedish NAO) welcomes the opportunity to comment on the Exposure Draft. The Swedish NAO, on behalf of the Auditors General, carries out the external audit of all Swedish agencies.

Request for Comments

While the IAASB welcomes comments on all matters addressed in the exposure draft, the IAASB is seeking comments on the following specific matters:

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.

The Swedish National Audit Office (SNAO) comments are based on the fact that we are a supreme audit institution (SAI) and our comments relates to the circumstances in the public sector. In overall we agree with the IAASB suggestions and we believe that the revised ISA 720 is a step forward towards more transparency about auditor responsibilities and will ensure that the auditors handles the other information more similar.

We have a few specific issues we would like to comment. The most important issue is the requirement to "remain alert". The ISA requirement does not define the concept nor does the application material give any further guidance. There is a risk that the requirement opens up for an expectation gap.

Detailed comments:

The Scope

§5

The description of what other information may include is not clear and could cause some misunderstandings. We would like to suggest the following:

Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail, about amounts or other items in the financial statements, and other information not directly relating to items in the financial statements.

§14 c)

To remain alert is a vague concept and there is a possibility that this could be misunderstood by the users and the auditors. The application material (A33) does not give proper guidance to the auditor, nor is it possible for the users to get a better understanding of the meaning of remaining alert by reading the application material. There is a risk of creating an unnecessary expectation gap. If IAASB decides to keep this requirement there should be some more guidance to ensure common practice between the auditors but also to provide more transparency about the auditor's responsibility.

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

In overall we believe that the proposals in the revised ISA is a step towards constancy but it is a difficult and diffuse area. Another factor that might affect the consistency is the variety of what the annual reports include. The consistency within one jurisdiction might be improved but the question remains whether it will be improved on a global level.

We would like to raise a few issues that might affect the consistency.

- *Please see our comments referring to “remain alert” in question 1.*
- *The ISA does not specify any mandatory detailed procedures to be performed and this will give auditors the freedom of “set the bar” and make their own interpretations of what to do. The application material only mentions a few suggestions of limited procedures which could be performed.*

- *Another issue that might affect the consistency is the matter of what is considered as material. The requirements and the application material doesn't give the auditors more defined guidance with reference to the auditor's professional judgment. § 12 Definition is the only place where materiality is discussed and we believe that this is not sufficient enough and might cause inconsistency in the interpretation and application. We fully understand the position of the IAASB due to the difficulty of defining materiality, though we recommend the IAASB to consider some additional guidance in the application material.*

There is also another issue referring to how much information the auditors from now on will be gathering in the planning process (ISSAI 1315) after the adoption of the revised ISA 720. The aim of the information gathering will now indirectly be broadened. This might interfere with the efficiency of the audit.

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.

Yes.

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.

Yes.

In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:

- a) Preparers (including Small- and Medium-Sized Entities (SMEs)), and users (including Regulators)—The IAASB invites comments on the proposed ISA from preparers (particularly with respect to the practical impacts of the proposed ISA), and users (particularly with respect to the reporting aspects of the proposed ISA).

NA

- b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed ISA, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

NA

- c) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISA.

No comments.

- d) Effective Date—Recognizing that the proposed ISA results in changes to the auditor’s report, the IAASB believes that to the extent possible, the effective date should be aligned with that of the IAASB’s Auditor Reporting project. Accordingly, the IAASB believes that an appropriate effective date for the standard would be 12–15 months after issuance of the final standard, but may be longer or shorter to align with the effective date of the revisions arising from the auditor reporting project. Earlier application would be permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISA.

We support the IAASB suggestion.