

International Auditing and Assurance Standards Board
529 5th Avenue
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10017

18 July 2014

Dear Sirs

Response to Exposure Draft – Proposed International Standard on Auditing (ISA) 720 (Revised)

We welcome the opportunity to respond to the above exposure draft and wish to express our appreciation at the responsiveness of the International Auditing and Assurance Standards Board (“the IAASB”) to comments it received in response to the 2012 exposure draft.

The re-exposed proposed ISA 720 addresses many of the concerns raised in initial responses, and more clearly articulates the auditor’s objectives and the documents covered by “other information”.

We believe however that there may still be ambiguity or practical application challenges in:

- The identification of other information; and
- The requirement for the auditor to consider whether there is a material inconsistency between the other information and the *auditor’s knowledge* obtained during the course of the audit, as well as the auditor’s responsibilities in relation to matters of judgment and prospective statements.

These comments are further discussed in response to the IAAB’s specific question in the appendix attached to this letter.

Finally, we agree that to the extent possible, the effective date of the proposed ISA should be aligned with that of the IAASB’s Auditor Reporting project, and that an appropriate effective date for the standard would be 12–15 months after issuance of the final standard. We do not however believe that this period should be any shorter than 12 months (in the event that this becomes necessary to align with the effective date of the revisions arising from the auditor reporting project).

If you would like to discuss any of our comments, do not hesitate to contact me.

Yours sincerely



Theo Vermaak
Chairman: PKF International Professional Standards Committee
PKF International Limited

Responses to Specific Questions

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.

We are of the view that the proposed ISA much more clearly describes the scope, requirements and auditor’s responsibilities.

We agree broadly with the approach followed in identifying the “annual report. However, with reference to par. A3 of the Application and Other Explanatory Material, we question whether the use of the words “when issued separately” is intentional and appropriate in the sentence that reads “Examples of reports that, when issued separately, are not typically part of the combination of documents that comprise an annual report...”. It is unclear why the threshold of being issued separately does not apply to documents listed in par. A1, and whether documents in par. A3 would form part of the annual report if not issued separately.

In addition, the proposed ISA acknowledges in par. A36 that “It may be more difficult for the auditor to challenge management on matters of judgment than on those of a more factual nature.” The challenge is stated, but no further guidance is provided. Additional guidance and a clearly articulated approach with regards to matters of judgment or prospective statements is required to clarify the auditor’s responsibilities when misleading information or apparent misstatements arise regarding such matters.

Question 2.

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

Given the concerns discussed in response to Question 1, we believe that there may be diversity in practice in:

- The identification of other information; and
- Conclusions reached by auditors on apparent inconsistencies or misstatements related to matters of judgment and prospective statements.

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.

We believe the proposals will result in effective communication about the auditor’s work.

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.

We agree with the IAASB’s conclusion.