



**The Institute of  
Chartered Accountants  
of Pakistan**

**HEAD OFFICE**

Technical Director  
IAASB  
New York, USA

March 15, 2013

**Subject: ICAP COMMENTS ON EXPOSURE DRAFT ISA 720 'THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING OR ACCOMPANYING AUDITED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT THEREON'**

Dear Sir,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned Exposure Draft.

Please find enclosed the comments of the relevant Committee of the Institute for your perusal.

If you require any further clarification, please do not hesitate to contact us.

Yours faithfully,

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**ICAP COMMENTS ON EXPOSURE DRAFT ISA 720 'THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING OR ACCOMPANYING AUDITED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT THEREON'**

**Request for Specific Comments**

Q1. Do respondents agree that there is a need to strengthen the auditor's responsibilities with respect to other information? In particular do respondents believe that extending the auditor's responsibilities with respect to the other information reflects costs and benefits appropriately and is in the public interest?

**Answer: Since the audit interalia works to preserve the public interest, the increase in scope of auditor's responsibilities seems appropriate. However, sometimes all the 'other information' may not be readily available at the time of signing off by the auditor. It may be suggested that the 'other information' intended by this ISA should be further clarified or, if practicable, be specified to increase scope of auditor's responsibilities to a justified and workable extent.**

Q2. Do respondents agree that broadening the scope of the proposed ISA to include documents that accompany the audited financial statements and the auditor's report thereon is appropriate?

**Answer: We believe that the scope of the proposed ISA may be increased to include the documents which provide additional information to the users. However, cost benefit assessment must be carried on before making such inclusion.**

Q3. Do respondents find the concept of initial release clear and understandable? In particular, is it clear that initial release may be different from the date the financial statements are issued as defined in ISA 560?

**Answer: There appears no problem in understanding the difference between 'Initial Release' and the 'date the financial statements are issued'.**

**ISA 560 defines the 'date the financial statements are issued' as the date that the auditor's report and audited financial statements are made available to third parties. ISA 560 further clarifies that the date the financial statements are issued generally depends on the regulatory requirements and as such may be a date when financial statements are filed with a regulatory authority. Therefore, the date that the audited financial statements are issued has to be later than the date of auditor's report.**

**'Initial Release', on the other hand, is referring to the release of any information along with the audited financial statements.**

**These two dates can sometimes differ e.g. in a situation where financial statements have not been made available to the third parties or submitted to the regulators despite the occurrence of the 'initial release'. Any other such difference should also be identified and illustrated.**

Q 4. Do respondents agree that the limited circumstances in which a securities offering document would be in scope (e.g., initial release of the audited financial statements in an initial public offering) are appropriate or should securities offering documents simply be scoped out? If other information in a securities offering document is scoped into the requirements of the proposed ISA in these circumstances, would this be duplicating or conflicting with procedures the auditor may otherwise be required to perform pursuant to national requirements?

**Answer: Securities offering documents are not in the scope of the proposed ISA in Pakistan.**

**There is a separate ISAE 3420 ‘Assurance engagements to report on the Compilation of pro forma financial Information included in a prospectus’ that relates to the Initial public offering documents and provides guidance for giving assurance opinion thereon. Therefore, the IPO documents should not be covered in the scope of ISA 720.**

Q5. Do respondents consider that the objectives of the proposed ISA are appropriate and clear? In particular:

(a) Do respondents believe that the phrase “in light of the auditor’s understanding of the entity and its environment acquired during the audit” is understandable for the auditor? In particular, do the requirements and guidance in the proposed ISA help the auditor to understand what it means to read and consider in light of the auditor’s understanding of the entity and its environment acquired during the course of the audit?

(b) Do respondents believe it is clear that the auditor’s responsibilities include reading and considering the other information for consistency with the audited financial statements?

**Answer: a). Yes.**

**b). Yes, ‘other information’ needs to be read in conjunction with the understanding of the business and audited financial statements.**

Q6. Do respondents agree that the definitions of terms of “inconsistency” including the concept of omissions and “a material inconsistency in the other information are appropriate?

**Answer: Yes**

Q7. Do respondents believe that users of auditors’ reports will understand that an inconsistency relates to an inaccuracy in the other information as described in (a) and (b) of the definition, based on reading and considering the other information in light of the auditor’s understanding of the entity and its environment acquired during the course of the audit?

**Answer: Yes.**

Q8. Do respondents agree with the approach taken in the proposed ISA regarding the nature and extent of the auditor’s work with respect to the other information? In particular:

(a) Do respondents believe the principles-based approach for determining the extent of work the auditor is expected to undertake when reading and considering the other information is appropriate?

(b) Do respondents believe the categories of other information in paragraph A37 and the guidance for the nature and extent of the work effort for each category are appropriate?

(c) Do respondents agree that the work effort is at the expected level and does not extend the scope of the audit beyond that necessary for the auditor to express an opinion on the financial statements?

**Answer: a) Yes.**

**b) Four categories detailed in A37 are reasonable.**

**c) As mentioned earlier, the cost element must be considered as the work will increase. Further, accessibility, timings, content and extent of ‘other information’ are subjective things and may render the auditor unable to review all such ‘other information’ to look at inconsistencies. If the ‘other information’ intended by this ISA is defined or specified, it would facilitate to achieve the purpose of this ISA.**

Q 9. Do respondents believe that the examples of qualitative and quantitative information included in the Appendix in the proposed ISA are helpful?

**Answer: Yes, these would be helpful to the auditor.**

Q10. Do respondents believe it is clear in the proposed requirements what the auditor's response should be if the auditor discovers that the auditor prior understands of the entity and its environment acquired during the audit was incorrect or incomplete?

**Answer: Yes. ISA is quite clear on this matter.**

Q11. With respect to reporting:

(a) Do respondents believe that the terminology (in particular, "read and consider," "in light of our understanding of the entity and its environment acquired during our audit," and "material inconsistencies") used in the statement to be included in the auditor's report under the proposed ISA is clear and understandable for users of the auditor's report?

(b) Do respondents believe it is clear that the conclusion that states "no audit opinion or review conclusion" properly conveys that there is no assurance being expressed with respect to the other information?

**Answer: a) In our view the user may get confused about the methodology used by the auditor if this statement is used in the auditor's report.**

**b) Yes. It is clear that the ISA does not require expressing an opinion or conclusion.**

Q12. Do respondents believe that the level of assurance being provided with respect to other information is appropriate? If not, what type of engagement would provide such assurance?

**Answer: Since the auditor would be reviewing the 'other information' and the considering omissions and material materially inconsistencies, it would provide a limited assurance. A separate engagement does not appear necessary for this purpose.**