

Исх. № 0474-00-13
от 05.03.2013 г.

International Federation of Accountants
International Auditing and Assurance Standards
Board
529 Fifth Avenue, 6th Floor
New York 10017 USA
March 05, 2013

Ladies and gentlemen,

In pursuance of your kind invitation to comment on the exposure draft of ISA 720 "THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION IN DOCUMENTS CONTAINING OR ACCOMPANYING AUDITED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT THEREON" I would like to present certain specific comments on the questions included in your Explanatory Memorandum.

Question 1:

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?

Comments:

Strengthening the auditor's responsibilities with respect to costs and benefits is doubtful but it is in the public interest.

Question 2:

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?

Comments:

Not actual for Russia.

Question 3:

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?

Comments:

The fact that initial release may be different from the date the financial statements are issued as defined in ISA 560 is clear. But as a whole the concept of initial release is not enough clear and understandable. It is often difficult to define what document should be read as containing other information. For example, documents mentioned in the para. A4 may have the same date, annual shareholder's meeting may take place before or after filing the documents with a regulatory authority, a securities exchange, or an official public repository, for example, after report to securities exchange regulator containing financial statements approved. Shall auditor read and consider other information contained in the annual report if annual shareholder's meeting take place after sending documents with some other information to regulatory authority? Or shall he read and consider other information contained only in the report to securities

exchange regulator? Auditor's responsibilities concerning other information should not depend on the point what event happened before and such a matter should be clarified in the standard.

Question 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?

Comments:

Securities offering documents should be better scoped out. Including them into the scope of the proposed ISA would be duplicating as national requirements in Russia provide relevant procedures and auditor's signature on the prospectus. So such a work is fulfilled using a separate contract. Furthermore it may be a significant lag between the date of prospectus and the date of financial statements.

Question 5:

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?

Comments:

a) Yes, the phrase is understandable for the auditor b) Yes, it is clear.

Question 6:

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?

Comments:

Concept of omissions taken together with non-financial information as a part of other information may widen auditor's responsibilities without any limit. May be it would be better to delete para.9 a)(ii) or reformulate it, for example: «(ii) Is presented in a way that could mislead intended users of the audited financial statements» or in some other way.

Question 7:

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?

Comments:

In spite of the fact that limitations of auditor's responsibilities are formulated clearly in the Illustrative statements users would widen auditor's responsibilities for any other omitted information that may appear significant to them (See Q.6 above).

Question 8:

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?

Comments:

- a) Yes, principles-based approach is appropriate.
- b) Guidance for non-financial other information is too poor and should be widened.
- c) No, the scope of the audit may go beyond that necessary to express an opinion on the financial statements, particularly in relation to non-financial other information and perspective information especially in relation to the level of disaggregation.

Question 9:

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

Comments:

Yes, they are.

Question 10:

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

Comments:

Yes, it is clear.

Question 11:

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?

Comments:

- a) See Q.6,7 above.
- b) Yes.

Question 12:

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?

Comments:

Scope of audit or review of historical financial information should not be extended for providing assurance with respect to the other information. If management of the entity desire to get an assurance report with respect to the other information it may be audit or review under ISAE 3000. The level of assurance depends on the nature of the other information - it may be reasonable or limited assurance or no assurance at all.

Detailed comments on the text of the Exposure Draft are performed in Table below.

Para	Exposure draft	Amendments	Comments
A42	The nature of the other information, for example, whether it is: o Quantitative or qualitative.	The nature of the other information, for example, whether it is: o Quantitative or qualitative.	

	<ul style="list-style-type: none"> o Financial or non-financial. o Objective or subjective. 	<ul style="list-style-type: none"> o Financial or non-financial. o Objective or subjective. <p>Historical or perspective.</p>	
16-18 A57-A61	Where the auditor has obtained the other information prior to the date of the auditor's report, the auditor shall include a statement in the auditor's report comprising the following elements: (Ref: Para. A57–A58)		The text should define where such a statement should be included into the auditor's report: according to current ISA 720 as Other Matter paragraph or into Auditor's Responsibilities paragraph.

Hope the comments above will be instrumental for improving the ISA.

Best regards,

Vera F. Massarygina

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