

Bogota D.C., July 17, 2014

Sirs
International Auditing and Assurance Standards Board - IAASB
IFAC

Reference: Comments on proposed International Standard on Auditing 720, The Auditor's Responsibilities Relating to Other Information. Proposed Consequential and Conforming Amendments to Other ISAs

Dear Sirs:

The Instituto Nacional de Contadores Públicos (incp), the national association of accountants in Colombia, welcomes this opportunity to comment on the project related to International Standard on Auditing 720, The Auditor's Responsibilities Relating to Other Information, and Proposed Consequential and Conforming Amendments to Other ISAs. To this end, we will use the guide for respondents issued by the IAASB.

1. Objective and scope

We consider that the objectives are described properly, setting the right responsibilities for the auditor once other information is read prior to the date of the audit report; in this case, the right responsibilities for the auditor are established.

2. Definitions

The incp considers that the definitions included in the standard are described properly.

3. Requirements

The auditor's requirements are described properly and appropriate responsibilities are defined.

4. Interpretation and application consistency

When other information is made available to users through a web page, paragraph A16 establishes the auditor's responsibility, which we believe is fair. Nevertheless, we believe the auditor's report should inform to users the limitation established because the information issued may differ from the information read by the auditor and users may be relying on it based on what was indicated in the auditor's report.

5. The auditor's report

The content of the auditor's report results in an effective communication to users on the auditor's work related to other information.

However, there is no guidance for cases where it is difficult to identify what the other information would be when there is no defined date for issuance and approval and when it is obtained after the audit report's date.

6. Conclusion

We believe the most confusing part of this standard is requiring the auditor to read and consider other information obtained after the auditor's report date, but not requiring identifying this information in the auditor's report or presenting reports on any other information obtained after the auditor's report date.

7. Preparers: Practical impacts

For preparers of information, the practical impact is the timely preparation and approval of the information when this information has been clearly defined to allow the auditor to execute the procedures.

When other information has not been defined clearly and its issuance date is ambiguous, preparers may not be interested in providing this other information to the auditor. Thus, the standard should include a time limit regarding the mandatory execution of procedures after the issuance of the audit report.

8. Users: Report aspects

The report aspects are clearly defined in the standard and are those that should be considered in the report.

9. Developing countries: Application difficulties

We consider there may be application issues when other information is not clearly defined or when its issuance date is not precise. We believe that fraud risk in information that is not clearly defined by law or regulation is significant and it is very difficult for the auditor to respond to this significant risk when other information is not clearly defined.

10. Potential translation problems

In our opinion, paragraph 21 (d) (i) should be redrafted so as to reflect what the auditor has determined. The current wording would be confusing when the auditor has a limitation in the scope and cannot determine if there is an uncorrected material misstatement in the other information. The suggested wording is: "If the auditor has determined that there is not an uncorrected material misstatement of the other information, that the auditor has nothing to report."

11. Effective date

We consider it is appropriate for the effective date to be from twelve to fifteen months after the issuance of this ISA and that early application be allowed.

12. Other comments

A1 includes the internal control report and risk assessment as examples of annual report parts. This particular example generates concerns because the auditor could identify relevant inconsistencies between other information and financial statements or relevant inconsistencies between other information and the auditor's knowledge acquired during the audit, without resulting in material misstatements in financial statements or in the other information. This conclusion is based on the fact that the scope of an audit of financial statements, in terms of evaluation and understanding of internal control, is substantially different from the scope of an engagement to issue a report on internal control and risk assessment. As the latest engagement has a more detailed scope, it is possible that this engagement will identify situations that the auditor will not necessarily identify in an audit to issue an opinion on financial statements. Furthermore, it is possible for internal control to present inconsistencies, which do not mean that financial statements contain material misstatements. Procedures required to respond to this inconsistency, in order to avoid an incorrect conclusion, go beyond the effort required to support an opinion on financial statements.

We believe that a special consideration should be given to these reports, particularly if they are conducive to the identification of relevant inconsistencies.

Should you wish to discuss these comments, please contact Ms. Ana Lucía López at analucia.lopez@incp.org.co

Yours faithfully,

ANA LUCIA LOPEZ
Technical Director