

July 18, 2014

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, New York 10017

Submitted electronically: IAASB "[Submit a Comment](#)" link

**Re: Proposed International Standard on Auditing (ISA) 720 (Revised),
*The Auditor's Responsibilities Relating to Other Information, Proposed Consequential and
Conforming Amendments to Other ISAs***

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

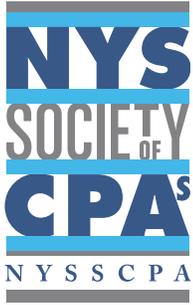
The NYSSCPA's Auditing Standards and International Accounting and Auditing Committees deliberated the Proposed International Standard on Auditing (ISA) and prepared the attached comments. If you would like additional discussion with us, please contact Renee Mikalopas-Cassidy, Chair of the International Accounting and Auditing Committee at (212) 376-0300, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "S M Adair", written over a faint, semi-transparent watermark of the NYSSCPA logo.

Scott M. Adair
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED INTERNATIONAL STANDARD ON AUDITING (ISA) 720
(REVISED), *THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER
INFORMATION, PROPOSED CONSEQUENTIAL AND CONFORMING AMENDMENTS
TO OTHER ISAs***

July 18, 2014

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From the Auditing Standards Committee:

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Julian E. Jacoby**

From the International Accounting and Auditing Committee:

**Jan C. Herringer
Renee Mikalopas-Cassidy**

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New York State Society of Certified Public Accountants

Comments on

Proposed International Standard on Auditing (ISA) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information, Proposed Consequential and Conforming Amendments to Other ISAs*

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to comment on the Exposure Draft of ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information, Proposed Consequential and Conforming Amendments to Other ISAs* (proposed ISA) of the International Auditing and Assurance Standards Board (IAASB or Board).

Overall, we support those elements of the Exposure Draft that enhance a user's understanding of (1) the work performed by the auditor, (2) the documents the auditor read, and (3) the nature of the work performed to the extent that it is clear that no assurance is provided based on the limited nature of the work performed. We agree that the proposed revisions greatly clarify the level of assurance and scope of work performed by the auditor for users of the other information and are pleased that some of our comments have been incorporated in this revision.

While we support improvements in how and what the auditor communicates to financial statement users, we have some concerns that the proposed ISA might have unintended consequences, particularly as it relates to broadening the scope and expanding performance requirements, the most significant of which is increasing the expectation gap by the use of language in which the auditor would state that there is "nothing to report."

As set out in our response to the Invitation to Comment on Improving the Auditor's Report, dated October 2, 2012, and our response to the Exposure Draft of ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*, we believe that any changes to an auditor's report should narrow the expectation gap and focus on objective rather than subjective criteria. Our responses to the specific matters posed in the Exposure Draft and request for general comments by preparers and user are set out below and are consistent with these overarching concepts.

Response to 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.

Overall, we agree that the proposed ISA adequately describes and sets forth appropriate responsibilities for the auditor in relation to other information. Specifically, we believe that the addition of definitions of “other information” and “annual report” is helpful in clarifying the scope of the proposed ISA.

It is also helpful to include in the definition of “annual report” that it may comprise a single document or a combination of documents as driven by local law, regulation and custom. Furthermore, we believe the examples of documents that may form part of the annual report, (including when separately issued), as well as the examples of those which are not typically part of the combination of documents that comprise an annual report, and therefore not considered other information within the scope of the proposed ISA will be useful to practitioners in implementing the proposed ISA.

Requiring the auditors to determine with management specifically which documents comprise the entity’s annual report appears to be a reasonable and efficient method to formalize the scope of other information and anticipated timing of the auditor obtaining the documents.

We agree that preliminary announcements of financial information and securities offering documents should be excluded from the scope of the proposed ISA.

We agree that the auditor’s work should focus on material inconsistencies between the financial statements and the other information and be the baseline responsibility. We also agree that the auditor’s consideration of the other information should be instructed by the knowledge obtained by the auditor during the course of the audit, and is of value to the user. We agree with the IAASB conclusion that the auditor should not provide assurance on the other information and that, in an effort to improve practice, the auditor should be required to consider if there is any material inconsistency between the other information and the auditor’s knowledge obtained during the audit. Additionally, we believe it is appropriate to require the auditor to remain alert for indications that the other information appears to be materially misstated.

The IAASB has maintained its approach to provide principles-level guidance such that specific detailed procedures have not been set out as requirements. We agree that this approach is appropriate as long as it is clear to the user that the auditor is not providing a level of assurance on the other information. The auditor should document adherence to the ISAs through the auditor’s own documentation processes to reflect the work performed to reflect “active consideration” through “informed reading” as to whether there are any material inconsistencies.

We agree that the consideration of material inconsistencies between the other information and the financial information should be within the scope of information obtained during the audit and not expanded to knowledge beyond that understanding. We also agree that auditor’s should remain alert and acknowledge the auditor’s professional and ethical obligations not to be knowingly associated with other information that is otherwise misleading as an informed reader.

Further, as auditors are not precluded from providing assurance on certain aspects of other information if so engaged, auditors providing these services would use the attestation standards to frame their procedures and reporting. We believe that the demand for such services will increase over time because of the revisions currently being made to the auditor's reports.

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

We agree that the revisions are helpful and provide additional clarity regarding the auditor's responsibility for other information; however, the auditor's report should be restricted to describing the other information which has been read and considered. We do not believe it is appropriate to include a statement that there is nothing to report as this infers a level of assurance and a conclusion regarding the content of the other information.

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, we believe the proposed auditor reporting requirements are useful and will be effective in enhancing communication to users about the auditor's work relating to other information and will apply to most circumstances.

Other Additional Comments

In order for the auditor to evaluate the ethical considerations that could apply to this proposed ISA, especially in view of the more than remote likelihood that a practitioner might be asked to provide assistance to clients in preparing content included in "other information," a reference to the applicable ethics section on non-assurance services should be made and briefly explained. We also note that the International Ethics Standards Board for Accountants recently released the following exposure draft, *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*, for public comment.

We also believe that additional circumstances may have to be addressed in a future project. For example, if an auditor were asked by a client to provide some level of assurance on some of the "other information," the auditor would have little or no international guidance at which to look and would need to turn to standards currently set by others.

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 that the IAASB's conclusions to require the auditor only to read and consider, but not to identify such other information after the date of the auditor's report is appropriate. This conclusion addresses concerns if management delays providing other information that would ordinarily be included in the annual report. The guidance makes it clear as to what was read by the auditor so that users are informed about the documents read by the auditor.

We agree with IAASB conclusion that the auditor's report should not be withheld pending other information. However, as a practical matter, it may be appropriate for the auditor to be suspicious if standard documents are not made available especially if previously expected.

Response for General Matters

For parts (a) *Preparers*, (b) *Developing Nations* and (c) *Translations*, we do not have comments.

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 believe that the IAASB should consider coordinating the effective date of the proposed ISA with the effective date of the auditor reporting project to address user needs as fully as possible and avoid a piecemeal approach in making enhancements to auditor reporting.