



March 26, 2007

Mr. Jim Sylph
Technical Director
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Mr. Sylph:

We appreciate this opportunity to comment on proposed International Standard on Auditing (ISA) 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements* (the "proposed standard") as developed by the International Auditing and Assurance Standards Board (IAASB). We are supportive of the development of this guidance and believe, overall, that the redrafting of the proposed standard was completed in accordance with the clarity conventions and criteria adopted by the IAASB.

Within our recommendations for editorial changes, additions are noted in "bold underline" and deletions in "double strike-through."

Responses to Questions Posed in the Explanatory Memorandum

1. *Is the objective to be achieved by the auditor, stated in each of the proposed redrafted ISAs, appropriate?*

We believe that the objective to be achieved is appropriate.

2. *Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?*

We believe that the criteria identified by the IAASB for determining whether a requirement should be specified have been applied appropriately and consistently.

3. *References to securities offerings in the ISAs*

We believe that the statement in paragraph 2 relating to the applicability of the proposed standard to other information in documents used in securities offerings should be revised to

indicate that if the auditor is engaged to audit other information, the proposed standard should be applied. Our suggested wording follows:

~~“This ISA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements, such as those used in securities offerings.”~~ **Where the ISAs are applied to an audit of other information, this ISA applies unless clearly not applicable in the circumstances.”**

Overall Comment – Structure and Flow of Proposed Standard

The order of the requirements makes it difficult to understand which requirements apply in circumstances where the other information is available only after the date of the auditor’s report. While paragraphs 14 – 17 clearly apply in those circumstances, we believe that some readers may infer from the section headings in the proposed standard that those are the **only** requirements that apply in those circumstances. We believe that paragraphs 6-7, and 11-12 also apply when other information is available after the date of the auditor’s report.

We recommend that the IAASB revisit the order of the requirements in the proposed standard, as well as the section headings, to clearly identify which requirements relate in all circumstances, which requirements relate only to circumstances where the other information is available before the date of the auditor’s report and which requirements relate only to circumstances where the other information is available after the auditor’s report. We believe clearly identifying these “buckets” will promote consistency in performance.

Overall Comment – Nature of Other Information Subject to the Proposed Standard

We believe that the proposed standard does not clearly set forth which other information is subject to the requirements of this ISA:

- Paragraphs 2 and 5 indicate that the ISA applies to other information in documents containing audited financial statements that are provided to “owners on the same terms, and at the same time, as the financial statements.” We are unsure what “on the same terms” means in the context of this ISA and refer you to our comment on paragraph 2 below.
- Paragraph A6 excludes certain types of other information, such as a press release, from the requirements of the ISA. In some jurisdictions, these types of communications contain a substantial amount of information derived from the financial statements. We are therefore concerned with the categorical elimination of these types of communication, in all circumstances, from the scope of this ISA. Please refer to our comments on paragraph A6 below.
- We recommend that the proposed standard explicitly state that the auditor has no obligation to apply the requirements of this ISA in circumstances where documents referencing the financial statements are issued by a third party at a later date than the original issuance of the financial statements or annual report.

We recognize that the proposed standard has undergone only a re-drafting under the clarity drafting conventions, and that some of the issues related to the proposed standard’s application are carried forward from the extant version of the standard. However, we believe that enhancing

the requirements and guidance related to the application of the ISA will improve consistency in practice and should be considered by the IAASB.

Comments by Paragraph

- **Paragraph 2:**

We believe that the reference to “owners on the same terms” in the scope paragraph may be confusing to readers in two ways:

- Its use seems inconsistent with language used in other ISAs, which refer to “users”.
- We believe that the use of the phrase “on the same terms” in the proposed standard is in a completely different context to how it is used in International Financial Reporting Standard 7 (IFRS 7). In IFRS 7, the “nature and extent of risks arising from financial instruments” may be disclosed as “other information”, however the disclosure requirements (as described in paragraphs 31-42 of IFRS 7) should usually be disclosed in the financial statements. Therefore the information, even if disclosed as other information, is still required to be audited, and it is appropriate to use the words “on the same terms ... as the financial statements”. “Other information” as defined in the proposed standard does not form part of the financial statements and does not require auditing. Therefore, it can not be described as being “on the same terms” as the financial statements.

We support the proposed standard defining “boundaries” of the type of documents containing other information for which the auditor should apply this ISA. We suggest that those boundaries be described based on the purpose of the documents rather than the terms on which they are provided, and therefore suggest the following change:

“This ISA has been drafted in terms of documents containing audited financial statements that are provided to users for the same purpose ~~owners on the same terms~~, and at the same time, as the financial statements.”

- **Paragraph 2:**

We suggest removing the example from the first sentence of paragraph 2. In certain jurisdictions, the annual report is issued at a different time than the financial statements, and therefore it may be confusing to cite such a report as a general example of “other information.”

- **Paragraph 12:**

We suggest the following clarifying change:

“When, following such discussions, the auditor still considers that there is an apparent misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity’s external legal counsel...”

- **Paragraph 16:**

We recommend the following change, as we are unsure what “proposed” means in the context of this paragraph:

“When revision of the other ~~proposed~~ information is necessary and the entity agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances.”

- **Paragraph A1:**

As noted in our overall comment above, we are concerned that the proposed standard’s scope is not clearly defined. We recommend adding the following guidance after paragraph A1:

A1a. **“In accordance with paragraph 2, where information is produced at the same time as the audited financial statements in a form which results in the information being received by users with the audited financial statements in such a manner as to lead the user to associate the information with the audited financial statements, the auditor considers such information. For example, the annual report may be published as a separate document but distributed with the audited financial statements, or a press release of the results may be published in such a manner along with the audited financial statements that users would associate the press release with the audited financial statements.”**

- **Paragraph A6:**

As noted in our overall comment above, we are concerned with the guidance in paragraph A6 as it is currently worded. We suggest that paragraph A6 be deleted and replaced with the following guidance:

A6 **The auditor is not responsible for considering information published at the same time as the audited financial statements but clearly separate from the audited financial statements. For example, an analyst presentation or report to interested persons made by the entity and published in hard copy or electronically would not normally form part of “other information”, or a press release of aspects of the results which is not published in a manner which leads users to associate the information with the audited financial statements.**

A6.1 **The auditor is not responsible for considering information published before the issuance of the audited financial statements. For example, the auditor is not responsible for an announcement of results in whole or part before the issuance of the audited financial statements where the announcement carries no reference to being audited.**

A6.2 **The auditor is not responsible for considering information published after the issuance of the audited financial statements by the entity as the auditor has no association with this information (unless under a separate engagement) and may not have knowledge of this information being produced.**

A6.3 **The auditor is not responsible for information contained on the entity’s web site.**

Comment for Future Consideration by the IAASB

We would like to take this opportunity to suggest that the IAASB undertake a project to either revise ISA 720 or develop a new standard to deal with the auditor’s responsibility related to

financial information provided electronically by the entity to the marketplace (e.g., financial information presented on the entity's website). It is becoming more customary in certain jurisdictions for the entity to post their annual financial statements electronically. In some cases, this electronic posting replaces the hard copy publishing of the financial statements. A project by the IAASB to establish requirements and guidance related to these circumstances, including a discussion of the level of assurance provided by the auditor on such information would be relevant, timely and helpful.

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen, Director of Global Audit Services at + 1 212 492 3689 or John Fogarty, Chairman – DTT Assurance Technical Policies and Methodologies Group at + 1 203 761 3227.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens Simonsen". The signature is written in a cursive style with a large, stylized initial "J".