

July 18, 2014

Mr. James Gunn  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue – 14<sup>th</sup> Floor  
New York, NY 10017  
USA

cc: Canadian Auditing and Assurance Standards Board

**Subject: Proposed ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information**

Dear IAASB Members:

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Quebec, Ontario, Alberta and British Columbia.

This letter is a response to the Exposure Draft from the International Auditing and Assurance Standards Board (the IAASB) of proposed ISA 720 (revised) *The Auditor's Responsibilities Relating to Other Information*. We appreciate the opportunity to comment on the ED given the impact these proposals may have on an auditor's responsibilities with respect to information other than financial statements and the auditor's report thereon that is included in an entity's annual report.

We support the IAASB's goals of bringing greater clarity and enhanced consistency regarding an auditor's responsibilities related to other information. However, we are concerned about inconsistency in reporting and difficulties in addressing misstatements identified by the auditor subsequent to the issuance of an auditor's report. We have also identified some areas for enhanced clarity. In particular, we highlight four issues:

1. It would not be in the public interest to have inconsistency in reporting between information obtained prior and subsequent to issuance of the auditor's report. We think the approach proposed in the ED would create confusion and does not support the goal of increased transparency about an auditor's responsibilities for other information.
2. The proposed actions that an auditor may take in response to identifying material misstatements in other information subsequent to the issuance of an auditor's report (in paragraph A45 of the ED) would generally not be practicable or effective. In addition, an auditor may not be able to perform those procedures if the auditor is no longer engaged after signing an auditor's report.

3. The proposed statement in an auditor’s report that the auditor does not express “any form of assurance conclusion” is confusing given the subsequent explanation of the auditor’s responsibility to report if the auditor determines that other information is materially misstated and the statement “we have nothing to report in this regard.” The second statement is a form of negative assurance. To avoid this confusion we recommend removing the phrase “any form of assurance conclusion” and reworking the sentence to explain that the auditor has not audited or performed a review engagement of the other information.
4. The Canadian Auditing and Assurance Standards Board has suggested two possible approaches to address various concerns about proposed ISA 720, including inconsistency in reporting and difficulties in addressing misstatement subsequent to the issuance of an auditor’s report: i) limit the auditor’s responsibilities to information obtained prior to issuance of the auditor’s report, or ii) allow the auditor to communicate on other information separately from the auditor’s report on the financial statements. With respect to the first approach, we also recommend that ISA 720 require an auditor to obtain management discussion and analysis (MD&A) before issuance of the auditor’s report. We encourage the IAASB to consider whether these suggested approaches would result in more consistent and transparent reporting and also deal with the challenges of misstatements identified subsequent to the issuance of an auditor’s report.

In conjunction with its consideration of the two approaches noted above, we request that the IAASB clarify the meaning of the term “the final version” as used in paragraph 21 of the ED. In Canada, public companies typically provide MD&A in a document that is separate from the financial statements. A company’s board of directors typically approves the financial statements and MD&A on the same day. If management provides an auditor the version of MD&A that management is submitting to the board for approval, we think that version should be considered a “final version” of the MD&A for the purpose of ISA 720.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

**The CSA Chief Accountants Committee**

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