



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1130 Fax: 81-3-5226-3356  
Email: international@sec.jicpa.or.jp  
Website: www.jicpa.or.jp

March 30, 2007

JICPA Comments on the Proposed International Standard on Auditing, ISA 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*

The Japanese Institute of Certified Public Accountants (“we”, “our”, “us” and “JICPA”) is pleased to provide you with its comments on the Proposed International Standard on Auditing, ISA 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements* (“Proposed ISA”). Based on our review, we have the following comments:

1. Is the objective to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

(Comment)

The definition of “misstatement of fact” is included in paragraph 5(a). Accordingly, we propose the following revision:

“(b) Responding appropriately to misstatements of fact in the other information ~~that are unrelated to matters appearing in the audited financial statements and~~ of which the auditor becomes aware when reading the other information for the purpose of identifying material inconsistencies.”

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?

(Comments)

Please see our “Other Comments” below.

### **Request for Specific Comment**

#### **Applicability of the Proposed ISA to the reading of other information in documents used in securities offerings**

(Comment)

It is common in practice that when the comfort letter is issued, the procedures whose nature is different from ISA 720 are performed for the *information other than financial statements in documents used in securities offerings*. In addition, the extent of the procedures performed for *the information other than the financial statements in the annual reports* is different from the procedures performed for *the information other than the financial statements in documents used in securities offerings*, as the documents used in securities offerings contain more detailed information than the annual reports. Accordingly, in principle, the Proposed ISA and other ISAs should not refer to the documents used in securities offerings.

### **Other Comments**

Paragraph 1

The second sentence should be revised for clarification because it denotes auditor actions in the present tense. Note also that paragraphs 8 to 10 are prescribed in the context of “material inconsistency.” Therefore, we propose that “inconsistency” be changed to “material inconsistency.”

Paragraph 2

The meaning of “on the same terms” in the first sentence is not clear. As an alternative, we propose that some explanations be included in the “Application and Other Explanatory Material.” In addition, “documents” should contain the audited financial statements together with the auditor’s report thereon because whether the financial statements were audited is not clear without the auditor’s report thereon.

In general, the “annual reports” in paragraph 2 seems to indicate invitations of shareholders' meetings. However, the annual reports that are required to be filed with regulatory authority in accordance with local legal and regulatory requirements should also be included, because the form of those reports could be different from invitations of shareholders' meetings. Therefore, we propose to include the following as footnote to paragraph 2:

“Local laws and regulations may prescribe reports that include audited financial statements together with the auditor’s report thereon and which are required to be filed with the regulatory authority on an annual basis. This ISA may be also applicable to such annual reports.”

Paragraph 5(b)

We suggest that the paragraph define the term “material inconsistency” rather than “inconsistency,” as the relevant requirements in the Proposed ISA are prescribed in the context of “material inconsistency.” In addition, we propose the following revision because it is not practicable since the probability of occurrence is too remote:

“Material inconsistency – A statement contained in other information that contradicts information contained in the audited financial statements. ~~A material inconsistency may and which may be reasonably expected to raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly,~~ about the basis for the auditor’s opinion on the financial statements.”

Paragraph 7

We propose the following revision for clarification:

“If it is not possible to obtain the other information prior to the date of the auditor’s report, the auditor shall read such other information as soon as at the earliest practicable opportunity ~~thereafter.~~”

Paragraph 9

To be consistent with ISA 705, we propose the following revision (For reference: the first bullet in paragraph 12 of ISA 560 (Exposure Draft)):

“If an amendment is necessary to the audited financial statements and the entity refuses to make the amendment, the auditor shall modify the opinion appropriately so that the auditor expresses either a qualified opinion or adverse opinion on those financial statements as described in ISA705, “Modifications to the Opinion in the Independent Auditor’s Report.””

In closing, we wish to express our appreciation for this opportunity to comment on this

Proposed International Standard on Auditing and hope you will consider our comments.

Sincerely yours

Atsushi KATO

Executive Board Member - Auditing Standards

The Japanese Institute of Certified Public Accountants