

Proposed Disposition of the Present Tense and Other Statements in the Proposed ISA 720 (Redrafted)

I. Those That Have Been Elevated to a Requirement

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
9	In order than an auditor can consider other information included in the annual report, timely access to such information will be required. The auditor therefore needs to make appropriate arrangements with the entity to obtain such information prior to the date of the auditor's report.	5	See paragraphs 12 to 14 of covering note for explanation of rationale.
9	In certain circumstances all the other information may not be available prior to such date.	6	See paragraphs 12 to 14 of covering note for explanation of rationale. (See also immediately following box.)
19	When all the other information is not available to the auditor prior to the date of the auditor's report, the auditor would read the other information at the earliest possible opportunity thereafter to identify material inconsistencies	6	See paragraphs 12 to 14 of covering note for explanation of rationale. Also note that in the redrafted ISA the requirement also addresses material misstatements. (See also immediately preceding box)
21	When revision of the audited financial statements is appropriate, the guidance in ISA 560, "Subsequent Events" would be followed.	9 (a) and 10(a)	The guidance in the extant ISA is generic and applies whether or not the entity agrees to make the change or not. In the revised structure two requirements are necessary dependent on whether the entity agrees or disagrees with the auditor.
22	When revision of the other information is necessary and the entity agrees to make the revision, the auditor would carry out the audit procedures necessary under the circumstances.	9(b)	The phrase "audit procedures" has been replaced with "procedures" because those described in the Application Material are not properly described as "audit procedures".

II. Those That Have Been Treated as Application Material and Redrafted

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
1	The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the auditor's consideration of other information, on which the auditor has no obligation to report, in documents containing audited financial statements.	1	In redrafting to the present ISA style, the phrase "on which the auditor has no obligation to report" has been deleted as it is rather confusing when stated in this bald way. Paragraphs 12 and 13, for example, of the extant ISA 720 set out specific reporting requirements and, therefore, appear to contradict this phrase. The issue of obligations is dealt with in the Application Material in paragraph A1.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
7	If such other information is omitted or contains deficiencies, the auditor may be required to refer to the matter in the auditor's report.	A3	Inserted the words "[required] by law or regulation" to make clear that the requirement is not made by ISA 720.
8	When such responsibilities involve the review of other information, the auditor will need to follow the guidance on review engagements in the appropriate ISAs.	-	This has been deleted as it is considered inappropriate to refer to review engagements within ISAs.
9	In these circumstances the auditor would follow the guidance in paragraph 20-23.	-	This has been deleted as it is no longer required under the new structure.
13	The actions taken, such as not issuing the auditor's report or withdrawing from the engagement will depend upon the particular circumstances and the nature and significance of the inconsistency. The auditor would also consider obtaining legal advice as to further action.	A11	Note the requirements in paragraph 13 and 18 of the extant ISA have been merged in the requirements of paragraph 8 in the proposed ISA. The guidance in the extant ISA was different with respect to each of the requirements and the Task Force considered that they should be the same. Also redrafted so as not to be couched in terms of a pseudo requirement and in particular not to use the words "The actions taken" as this implies that there must be an action to take. The actions have been recast as a bulleted list.
16	When discussing the matter with the entity's management, the auditor may not be able to evaluate the validity of the other information and management's responses to the auditor's inquiries, and would need to consider whether valid differences of judgment or opinion exist.	A9	Redrafted so as not to be a requirement and in particular not using the words "would need to consider".
17	When the auditor still considers that there is an apparent misstatement of fact, the auditor should request management to consult with a qualified third party, such as the entity's legal counsel and should consider the advice received.	A10	As discussed in covering note (see paragraph 10) this bold letter paragraph has been included as application material and redrafted accordingly.
18	The actions taken could include such steps as notifying those charged with governance in writing of the auditor's concern regarding the other information and obtaining legal advice.	A11	See comments for 13 above.
23	The actions taken could include such steps as notifying those charged with governance in writing of the auditor's concern regarding the other information and obtaining legal advice (This sentence is identical to that in paragraph 18.)	A13	Redrafted in similar vein to A11. Note through consolidation of guidance from various paragraphs A11 and A13 are not identical to one another as paragraphs 18 and 23 are in the extant ISA.