

Agenda Item 3-C

MAPPING DOCUMENT

This mapping document demonstrates how the material in the extant ISA 720 has been reflected in the proposed redrafted ISA. Highlight material identifies material that is proposed to be eliminated, downgraded, or repositioned to another ISA (as needed) as a result of redrafting. An explanation of the proposed deletion and other comments are provided, where appropriate.

Extant ISA 720	New Para. Ref.	Comment on proposed deletion of highlighted material, significant edits, and other notes.
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 (and A1)	Deleted the phrase "on which the auditor has no obligation to report" as it is rather ambiguous and one of the purposes of the ISA is to establish reporting requirements where there are material inconsistencies and misstatements. Paragraph A1 expresses this more clearly by stating that the auditor's responsibility is restricted to information identified in the auditor's report.
1. This ISA applies when an annual report is involved; however, it may also apply to other documents, such as those used in securities offerings.	A2	The phrase "such as those used in securities offerings" has been deleted on the advice of the members of the Clarity Task Force.
2. The auditor should read the other information to identify material inconsistencies with the audited financial statements.	5 (and 3)	The phrase to identify material inconsistencies with the audited financial statements is not required as now dealt with by objective paragraph)3). The extant paragraph also gives an undue emphasis on inconsistencies and omits to mention misstatements.
3. A "material inconsistency" exists when other information contradicts information contained in the audited financial statements	4(a)	-
3. A "material inconsistency" may 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	4(a)	-
4. An entity ordinarily issues on an annual basis a document which includes its audited financial statements together with the auditor's report thereon.	A2	-
4. This document is frequently referred to as the "annual report."	A2	-
4. In issuing such a document, an entity may also include, either by law or custom, other financial and non-financial information.	4(c)	-
4. For the purpose of this ISA, such other financial and non-financial information is called	4(c)	-

Note: Highlighting indicates material that has been deleted, unless otherwise noted.

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“other information		
5. Examples of other information include a report by management or those charged with governance on operations, financial summaries or highlights, employment data, planned capital expenditures, financial ratios, names of officers and directors and selected quarterly data.	A2	This sentence is now split into bullet points.
6. In certain circumstances, the auditor has a statutory or contractual obligation to report specifically on other information.	A4	-
6. In other circumstances, the auditor has no such obligation	-	Deleted as a tautology of the immediately preceding sentence.
6. However, the auditor needs to give consideration to such other information when issuing a report on the financial statements, as the credibility of the audited financial statements may be undermined by inconsistencies which may exist between the audited financial statements and other information.	3	This has been redrafted to form the objective of the ISA.
7. Some jurisdictions require the auditor to apply specific procedures to certain of the other information, for example, required supplementary data and interim financial information.	A3	-
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	With the insertion of the phrase “by law or regulation”.
8. When there is an obligation to report specifically on other information, the auditor’s responsibilities are determined by the nature of the engagement and by local legislation and professional standards.	A4	-
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.	-	Deleted as it is inappropriate to refer to review engagements within ISAs
9. In order that an auditor can consider other information included in the annual report, timely access to such information will be required.	A7	
9. 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, A7	The focus of the ISA has been changed slightly so that there is a requirement in paragraph 5 to read other information that is included in the document before finalizing the auditor’s report. Guidance is provided in A7.
9. In certain circumstances, all the other information may not be available prior to such date.	6	This is combined with 19 below and recast as a requirement.
9. In these circumstances, the auditor would follow the guidance in paragraphs 20-23.	-	Arising from other redrafting this sentence is no longer required
10. The objective and scope of an audit of financial statements are formulated on the premise	A1	-

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that the auditor's responsibility is restricted to information identified in the auditor's report.		
10. Accordingly, the auditor has no specific responsibility to determine that other information is properly stated.	A1	-
11. If, on reading the other information, the auditor identifies a material inconsistency, the auditor should determine whether the audited financial statements or the other information needs to be amended. (See also 16 below)	7	However this requirement has been expanded to include material misstatements within its scope.
12. If an amendment is necessary in the audited financial statements and the entity refuses to make the amendment, the auditor should express a qualified or adverse opinion.	8(a)	-
13 If an amendment is necessary in the other information and the entity refuses to make the amendment, the auditor should consider including in the auditor's report an emphasis of matter paragraph describing the material inconsistency or taking other actions.	8(b)	The "should consider" tightened up to be "shall include".
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.	A11	-
13. The auditor would also consider obtaining legal advice as to further action.	A11	The expression "legal advice" has been changed to "advice from the auditor's lawyer" to conform with more modern ISAs
14. While reading the other information for the purpose of identifying material inconsistencies, the auditor may become aware of an apparent material misstatement of fact.	7	Now recast as a requirement in paragraph 7.
15. For the purpose of this ISA, a "material misstatement of fact" in other information exists when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.	4(b)	-
16. If the auditor becomes aware that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity's management. (See also 11 above)	7	Expanded to include, where appropriate, those charged with governance.
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 not written as a requirement.
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	A10	This paragraph has been down graded to Application Material see covering paper.

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legal counsel and should consider the advice received.		
18. If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor should consider taking further appropriate action.	8 (run in) and 8(b)	Inserted the phrase “following discussion with management” in order to give a better flow from paragraph 16. Tightened the wording up by redrafting the “should consider”.
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	-
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	This is now a requirement.
20. If, on reading the other information, the auditor identifies a material inconsistency or becomes aware of an apparent material misstatement of fact, the auditor would determine whether the audited financial statements or the other information need revision.	-	This now repeats what is elsewhere in the document (see paragraph 7).
21. When revision of the audited financial statements is appropriate, the guidance in ISA 560, “Subsequent Events” would be followed.	10(a)	Elevated to be a requirement
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)	-
22. The audit procedures may include reviewing the steps taken by management to ensure that individuals in receipt of the previously issued financial statements, the auditor’s report thereon and the other information are informed of the revision.	A12	-
23. When revision of the other information is necessary but management refuses to make the revision, the auditor should consider taking further appropriate action.	10	-
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.	A13	
<i>PSP This ISA is applicable in the context of the audit of financial statements.</i>	-	Text not necessary when integrated into the ISA.
<i>PSP In the public sector, the auditor may often have a statutory or contractual obligation to report specifically on other information.</i>	A6	-
<i>PSP As paragraph 8 of this ISA indicates, the procedures stated in this ISA would not be adequate to satisfy legislative or other audit requirements related to, for example, the expression of an opinion on the reliability of performance indicators and other information contained in the</i>	A6	-

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<i>annual report.</i>		
PSP <i>It would be inappropriate to apply this ISA in circumstances where the auditor does have an obligation to express an opinion on such information.</i>	A6	-
PSP <i>In the absence of specific auditing requirements in relation to “other information,” the broad principles contained in this ISA are applicable.</i>	A6	This is now the first sentence to paragraph A6.

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