

The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon—Proposed Consequential and Conforming Amendments

Note to IAASB

1. The Task Force recommends that the following proposed consequential and conforming amendments be included as part of the package with the exposure draft of proposed ISA 720 (Revised).¹
2. Where only changes to paragraph numbers or the title of the revised ISA 720 are required, these have not been noted in the proposed conforming amendments below.

A. Consequential Amendments

ISA 260, *Communication with Those Charged with Governance*

Matters to Be Communicated

Planned Scope and Timing of the Audit

15. The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit. (Ref: Para. A11-A15)

Matters to Be Communicated

Planned Scope and Timing of the Audit (Ref: Para. 15)

A13. Matters communicated may include:

- How the auditor proposes to address the significant risks of material misstatement, whether due to fraud or error.
- The auditor's approach to internal control relevant to the audit.
- The application of the concept of materiality in the context of an audit.²
- The arrangements made with management to obtain in a timely manner documents within the scope of [proposed] ISA 720 (Revised),³ including:
 - Details of the documents that the entity intends to prepare and issue, and that the auditor will read and consider under [proposed] ISA 720 (Revised); and
 - When the documents are expected to be made available to the auditor.

¹ Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statement and the Auditor's Report Thereon*

² ISA 320, "Materiality in Planning and Performing an Audit."

³ [Proposed] ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*

ISA 700, *Forming an Opinion and Reporting on Financial Statements*

A51. Unaudited supplementary information meets the definition of other information and is therefore within the scope of [proposed] ISA 720 (Revised).⁴ ~~Accordingly, the fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read and consider it in light of the auditor's understanding of the entity and its environment acquired during the course of the audit, that information to identify respond appropriately when it includes information that (a) may contain a material inconsistency with, or (b) indicates that the audited financial statements may be materially misstated. The auditor's responsibilities with respect to unaudited supplementary information are consistent with those described in ISA 720.~~⁵

B. Conforming Amendments

Glossary of Terms

~~*Inconsistency—Other information that contradicts information contained in the audited financial statements. 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.~~

~~*Misstatement of fact—Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.~~

~~*Other information—Financial and non-financial information (other than the audited financial statements and the auditor's report thereon) which that is included by the entity, either whether by law, regulation, or custom or voluntarily, in a document containing audited financial statements and the auditor's report thereon that is within the scope of ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*. A document is within the scope of ISA 720 only if:~~

- (a) It is a stand-alone document, or is part of the set of documents, prepared and issued by the entity in connection with the initial release of the audited financial statements and the auditor's report thereon, and it:
 - (i) Contains the audited financial statements and the auditor's report thereon; or
 - (ii) Accompanies the audited financial statements and the auditor's report thereon and has a primary purpose of providing commentary to enhance the intended users' understanding of the audited financial statements or the financial reporting process; and
- (b) The intended users of the document are the same as those of the audited financial statements.

⁴ Paragraph 9 of [proposed] ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*, defines the term "other information" for purposes of the ISAs.

⁵ ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

ISA 260, *Communication with Those Charged with Governance*

Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(d))

- A20. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as ~~material misstatements of fact or~~ material inconsistencies in information accompanying the audited financial statements that have been corrected.

ISA 450, *Evaluation of Misstatements Identified during the Audit*

A16. The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement:

- ...
- Affects other information that will be communicated in documents containing or accompanying the audited financial statements and the auditor's report thereon (for example, information to be included in a "Management Discussion and Analysis" or an "Operating and Financial Review") that may reasonably be expected to influence the economic decisions of the users of the financial statements. [Proposed] ISA 720 (Revised) deals with the auditor's consideration of other information, on which the auditor has no obligation to report, in documents containing or accompanying audited financial statements and the auditor's report thereon that are within the scope of [proposed] ISA 720 (Revised).
