

## ISA 720

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IAASB Meeting  
September, 2013

# Topics For Discussion

- Objective
- Scope
- Work Effort
- Reporting

# Objective

Objective reframed to align with revised focus on the audit:

- **Respond** appropriately when there may be
  - A material misstatement in the audited F/S
  - A material misstatement of fact
- **Report** in accordance with this ISA
- **Assist** the auditor in complying with relevant ethical requirements (§ 8A)

# Objective

## **1. What are the IAASB's views on the proposed objective?**

Does the objective strike the right balance between the concerns expressed by some IAASB members and the aim of the project to strengthen the auditor's responsibilities with respect to other information?

## Revised definitions of “other information” and “annual report”

- Continued linkage of other information to annual report or “**similar**” documents
- Uses “**intended to be read in conjunction with the financial statements and the auditor’s report**” to ring fence other documents
  - A11 provides factors to consider

## **2. Does the IAASB support the revised definitions of “other information” and “annual report”?**

# Work Effort

- Paragraphs 11 and 11A
  - **“Consider”** now used to mean “reflect upon”
  - 11A requires **determination of the nature and extent of procedures that, in the auditor’s judgment, are necessary**
    - List of illustrative procedures moved to appendix
  - **“Misstatement of Fact”** – definition includes omissions and misleading information

## Work Effort

- 3. What views does the IAASB have on paragraphs 11 and 11A of Agenda Item 6-B? Are the paragraphs clear and set up the work effort that is reflected in the reporting requirement?**
- 4. Are there alternatives to the term “misstatement of fact” which would better encapsulate the definition?**



# Reporting

Reporting “by exception”: avoids perception that an assurance conclusion is being provided

- Identifies **documents covered**
- Sets the **auditor’s responsibilities**
  - To read
  - When reading, to consider
  - To report material misstatements of facts if identified
- Includes a “**nothing to report statement**”
- States that **documents are not audited nor reviewed**

# Reporting

- 5. Do members support the other information reporting proposals outline above, including the shift to reporting by exception?**

IAASB

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