

Agenda Item

2-A

ISA 720—Other Information—Issues and IAASB Task Force Recommendations

Summary of the IAASB's Discussions at Its October 2014 Meeting¹

Work Effort Requirements

In addition to editorial comments on the Task Force's proposals, the Board requested that the Task Force consider whether paragraph 14(a) could be simplified, noting that there were too many different verbs being used. It was noted by some members that the procedures could be focused on a comparison, on a selective basis, of amounts or other items in the other information with such amounts or other items in the financial statements. Though the Board broadly supported the concept of the mandatory procedure only being applicable to some of the amounts or other items in the other information, some members believed that the term "on a selective basis" was insufficiently clear.

There were diverse views regarding the proposed additions to the requirement to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit. Some members expressed the view that the reference to the auditor's recollection would be better placed in the application material, as it would be difficult to operationalize as a requirement. Others questioned whether the term "recollection" was meaningful, and preferred a term like "understanding" that is used elsewhere in the IAASB's literature.

Two members indicated that they did not support the requirement to determine whether there is a material misstatement of the other information. One of these members preferred that the term "apparent" be used to modify the "material misstatement of the other information" and the other preferred the use of material inconsistency and material misstatement of fact, as used in extant.

Implications of Other Information Obtained after the Date of the Auditor's Report

Members were split on the Task Force's options regarding the identification of other information obtained after the date of the auditor's report. Some members supported requiring the auditor of a listed entity to identify the other information to be obtained after the auditor's report date, in addition to the identification of other information obtained prior to the auditor's report date for all entities. Other members preferred the approach adopted in the Exposure Draft of proposed ISA 720 (Revised)² (ED-720), where only other information obtained before the date of the auditor's report was identified in the auditor's report, regardless of whether the entity is listed or unlisted. Two members believed that the auditors of all entities should identify all other information, whether obtained prior to the date of the auditor's report or not.

¹ The minutes of the October 2014 IAASB teleconference will be approved at the December 2014 IAASB meeting.

² Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Objectives of the IAASB Discussion

The objective of the IAASB discussion at its December 2014 meeting is:

1. To consider remaining issues and Task Force recommendations, as well as a revised draft of proposed ISA 720 (Revised), together with conforming and consequential amendments.
2. To finalize and approve these standards for submission to the Public Interest Oversight Board (PIOB).

Significant Issues and Task Force Recommendations

A. Work Effort Requirements

Background

1. After the September 2014 IAASB and IAASB Consultative Advisory group (CAG) meetings, and the discussion of respondents' comments at those meetings, the Task Force noted that some further refinement of the key work effort requirements was needed to achieve a more appropriate balance between setting a principles-based requirement and providing sufficient specification of the work effort, particularly as it relates to the nature and extent of the work effort or procedures performed. This refinement also was considered necessary to avoid the risk of the ISA's work effort being perceived as an assurance engagement.
2. The IAASB met via teleconference in October 2014 to discuss further Task Force proposals, including proposals related to the work effort. The IAASB made several suggestions, including that the required procedure in paragraph 14(a) to evaluate the consistency of the other information with the financial statements would be more understandable, and that it would be clearer as to what auditor action was expected, if an action-orientated verb such as "compare" was used. The IAASB also asked the Task Force to consider whether the work effort requirement in paragraph 14(a) could be simplified, noting that the version presented for discussion at the teleconference contained four verbs which served to complicate the requirement. Some members also expressed concern about having procedures attached to the requirement in paragraph 14(b) to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit.

Task Force Recommendations

3. The Task Force recognizes the importance of describing a clear and unambiguous work effort in the final standard. Taking into account the comments received on the re-exposed proposed standard, as well as the IAASB's and CAG's comments at their recent meetings, the Task Force does not believe that fundamental changes need to be made to the proposed work effort to achieve this goal. The main changes are summarized below and involve simplifying the requirements and providing additional application material to reinforce the requirements.
4. Firstly, the Task Force recommends clarifying and simplifying the required procedure to evaluate the consistency of the other information with the financial statements (see paragraph 14(a) of Agenda Item 2-B). The mandatory procedure now states:

As the basis for this consideration, the auditor shall perform comparison procedures on selected amounts or other items to evaluate the consistency of the amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, with such amounts or other items in the financial statements.

The key changes are the use of the term “perform comparison procedures,” which recognizes that “comparison” is what the procedures are intended to involve, and the term “selected amounts or other items,” which makes it clear that the auditor is not expected to compare all of the items and amounts in the other information with the corresponding amounts in the other information. The redrafted requirement provides the basis for the application material that directs the auditor to focus on those amounts or items that are likely to be of most significance to users (see paragraphs A24–A24A of Agenda Item 2-B).

5. Secondly, the Task Force has clarified that the auditor’s recollection is the basis for the auditor’s consideration as to whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit (see paragraph 14(b) of Agenda Item 2-B). In terms of the redrafted requirement, the auditor is required to refer to relevant audit documentation or make inquiries of other relevant members of the engagement team or relevant component auditors only if necessary to support the auditor’s recollection. Some Task Force members believe that this focus on recollection, supported as necessary by referring to documentation, engagement team members or component auditors, provides essential context for and supports how to address the initial requirement to consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit. However, other Task Force members remain concerned that having a requirement that addresses the need, when necessary to support the auditor’s recollection, to refer to relevant audit documentation or to make inquiries of other relevant members of the engagement team or relevant component auditors will be challenging to apply in practice and will in almost all cases drive auditors to extensively refer to documentation and to make exhaustive inquiries because the auditor would find it difficult to justify not referring to documentation or making the inquiries referred to support the auditor’s recollection. For these members, it also seems that the requirement as drafted could cause auditors (and inspectors and others in terms of evaluating the adequacy of the auditor’s work), to place the focus more on when and how the auditor decided which documentation to reference (or not reference) or of whom inquiries were to be made (or not made), as opposed to the more overarching focus of the “intelligent read.” The Task Force members who are concerned about this requirement as drafted believe that the reference to the possible need to refer to audit documentation or to make inquiries that is currently included in the requirement is consistent with the definition of application material, and as such that the placement thereof in the application material may better achieve the focus on the judgment about consistency that is desired for the requirement.
6. The Task Force has also added guidance that:
 - Notes that the auditor’s focus should be on items about which the auditor has relevant knowledge and which are of sufficient importance that a misstatement may be material (see paragraph A29A of Agenda Item 2-B).

- Reinforces the importance of involving the right members of the engagement team, as the more senior and the more familiar with the key aspects of the audit the auditor is, the more likely it is that the auditor's recollection of relevant matters will be sufficient to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit (see paragraph A31 of Agenda Item 2-B).
 - Provides examples of when referring to documentation etc., would be appropriate (see paragraph A32 of Agenda Item 2-B).
7. In relation to paragraph 15A of Agenda Item 2-B, the Task Force has proposed additional application material to support the requirement to "remain alert" for indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated (see paragraphs 15A and A33–A33A of Agenda Item 2-B). This additional guidance provides a link to the related ethical obligations and highlights some of the matters that the auditor may identify as a result of remaining alert while reading the other information.
8. In relation to paragraph 16 of Agenda Item 2-B, the Task Force noted concerns from a Board member that, when aspects of the other information are beyond the competence or expertise of the auditor, the requirement to determine whether a material misstatement of the other information exists is not appropriate because the auditor may not have the expertise (and therefore is unable) to make a final determination whether a material misstatement exists (e.g., whether a particular narrative statement is materially misleading). In some instances, such a determination may not be possible unless judged in a legal context. In general, the Task Force believes that, if the auditor identifies a material inconsistency (or becomes aware that the other information appears to be materially misstated), even if outside the knowledge of the auditor, the auditor should be required to take action to determine whether there is a material misstatement of the other information, including starting with a discussion with management as required by paragraph 16. The objective of doing so is to enable the auditor to be in a position to report unambiguously about the outcome of the work in accordance with paragraph 21A(d) of Agenda Item 2-B. The Task Force believes that it would not be appropriate for the auditor to identify a possible material misstatement in the other information and not take some further action to determine whether or not one exists.
9. However, the Task Force acknowledges that there may be exceptional circumstances in which the auditor may be unable to perform the necessary procedures to determine whether a material misstatement exists; for example, when prevented by a limitation imposed by management or circumstances outside the control of the entity. In such a case, guidance material has been added to indicate that the auditor may need to modify the statement required by paragraph 21A(d) of Agenda Item 2-B to describe the matter and explain that the auditor was unable to complete the procedures required by the ISA to determine whether a material misstatement of the other information exists (see paragraph A38 of Agenda Item 2-B).

Matter for IAASB Consideration

1. The IAASB is asked to share its views on the Task Force's recommendations in relation to the key work effort paragraphs (paragraphs 14–16 of Agenda Item 2-B), together with the associated application material, including whether such changes are sufficiently responsive to comments received on exposure.

B. Reporting Implications

Background and Respondents' Comments

10. The Exposure Draft of proposed ISA 720 (Revised)³ (ED-720 (2014)) required the auditor to include a section addressing other information in the auditor's report when any other information was obtained prior to the date of the auditor's report. The section was required to identify the other information obtained, state that the auditor had not audited the other information and accordingly did not express an audit opinion or any form of assurance conclusion thereon, describe the auditor's responsibilities relating to other information, and include a statement either describing a material misstatement (if one exists) or stating that the auditor had nothing to report. No section was required to be included in the auditor's report if no other information was obtained prior to the date of the auditor's report.⁴
11. Many⁵ respondents supported the reporting requirements in ED-720 (2014) and noted the greater transparency over the auditor's responsibilities for the other information, while a minority⁶ explicitly did not support the proposed reporting requirements. Respondents also made various suggestions for improvements, clarifications or expressed concerns about specific aspects of the proposals, including, for example, that:
 - Management's responsibility for the other information should be described in the illustrative section;⁷
 - In relation to the description of the auditor's responsibilities relating to other information:
 - The auditor's responsibilities should be more extensively described, particularly to highlight the limits of the auditor's work on other information.⁸ For example, one monitoring group respondent⁹ recommended that the illustrative section state that "The auditor's opinion on the financial

³ Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

⁴ Respondents comments in relation to other information obtained after the date of the auditor's report were summarized in the September 2014 IAASB agenda paper (see IAASB agenda paper at www.ifac.org/sites/default/files/meetings/files/20140915-IAASB-Agenda_Item_7A-ISA_720_Issues-Final.pdf)

⁵ **NSS:** CNCC, IDW, HKICPA, NBA; **Accounting Firms:** BDO, CH, DTT, GTI, KPMG, MNP, PWC, RSM; **Public Sector:** AGSA, CIPFA, GAO, SNAO, UKNAO; **Member Bodies:** ACCA, ANAN, ASSIREVI, CalCPA, ICPAK, EFAA, FEE, IBRACON, IBR-IRE, ICAG, ISCA, INCP, KICPA, PAS, WPK, ZICA

⁶ **Those Charged With Governance:** AICD; **NSS:** AUASB, CAASB, HKICPA; **Accounting Firms:** EYG, UAB; **Public Sector:** AGC; **Preparers:** HQ; **Member Bodies:** FAR

⁷ **NSS:** AUASB, CAASB, CNCC, JICPA, NZAUASB; **Accounting Firms:** DTT, EYG; **Member Bodies:** FAR

⁸ **Monitoring Group:** IFIAR, IOSCO; **NSS:** CAASB; **Member Bodies:** IBRACON

⁹ **Monitoring Group:** IOSCO

statements does not cover the other information, nor does this ISA require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.” A few respondents¹⁰ recommended specifically referencing the requirement to perform limited procedures to evaluate the consistency of the other information with the financial statements. Others¹¹ noted that, despite the IAASB’s efforts as reflected in ED-720 (2014), they believed that users would nevertheless interpret the reporting to infer assurance being provided through the auditor’s reporting on other information.

- The reference to the auditor remaining alert for other indications that the other information may be materially misstated should not be included in the auditor’s responsibilities, as users may misinterpret this statement.¹²
- One firm respondent¹³ noted concerns that the use of the phrase “if we determine that the other information is materially misstated” may result in users having unrealistic expectations about the extent of work performed.
- While most respondents either supported the use of the phrase “we have nothing to report in this regard” or did not mention it, several¹⁴ respondents commented that they did not support it. For example, one NSS respondent¹⁵ believed that users may inappropriately take assurance when none was intended from this statement.
- Auditors should be able to use their judgment to decide upon which version of the other information to perform the procedures required by the ISA.¹⁶ This is because in some national circumstances a “close to final” draft may be available to the auditor, and the auditor may be able to determine that no, or only few, changes are expected. This approach would enable reporting on documents that under ED-720 (2014) would not otherwise be identified in the auditor’s report.

The Auditor’s Responsibilities Relating to Other Information Obtained after the Date of the Auditor’s Report

12. As noted in Agenda Item 7-A of the September 2014 IAASB meeting papers, the Task Force also acknowledges the call from some¹⁷ stakeholders for greater transparency over the auditor’s responsibilities for the other information obtained after the date of the auditor’s report. The Task Force understands these views and agrees that listing the documents that the auditor determined, through discussion with management, will comprise the other information obtained after the date of the auditor’s report and the expected work effort on such other information is responsive to these calls for increased

¹⁰ **Accounting Firms:** DTT; **Member Bodies:** ASSIREVI

¹¹ **Those Charged With Governance:** AICD; **NSS:** AUASB, NZAUASB; **Accounting Firms:** MNP; **Public Sector Preparers:** HQ; **Member Bodies:** WPK

¹² **NSS:** HKICPA; **Accounting Firms:** GTI, MNP; **Member Bodies:** WPK

¹³ **Accounting Firms:** PWC

¹⁴ **Other Regulators:** IRBA; **NSS:** AUASB; **Accounting Firms:** MNP, RSM; **Public Sector:** AGC, INTOSAI, UKNAO; **Member Bodies:** ASSIREVI, FAS, IBRACON

¹⁵ **NSS:** AUASB

¹⁶ **NSS:** AUASB, CAASB, NZAUASB

¹⁷ **Monitoring Group:** IAIS, IOSCO; **Other Regulators:** EAIG, FRC

clarity and transparency. However, the Task Force also noted concerns expressed at the September 2014 IAASB meeting about the practicality of applying this approach in all cases, particularly as they relate to situations where the other information that is expected after the date of the auditor's report is not ultimately prepared. It was also noted that these concerns were more likely to arise in the case of unlisted entities who may not be subject to the same stringent rules regarding other information as listed entities.

13. At the October 2014 IAASB teleconference, members were, in the main, split between two alternative approaches:
 - The Task Force's recommended approach, which was to require the auditor of a listed entity to identify the other information to be obtained after the auditor's report date, in addition to the identification of other information obtained prior to the auditor's report date. Auditor's reports for non-listed entities would only be required to identify other information obtained prior to the auditor's report date.
 - An alternative approach, put forward by some IAASB members, which was to revert to the approach proposed in ED-720 (2014) which proposed no reporting regarding such other information.

Two IAASB members preferred that the auditor's reports for all entities be required to list all the other information, including that other information expected to be obtained after the date of the auditor's report.

Task Force Recommendations

14. The Task Force notes the broad support for the approach to the reporting requirements included in ED 720 (2014), but also agrees with the comments of some respondents that aspects of the reporting requirements can and should be improved to better explain the auditor's responsibilities relating to other information. The Task Force also noted the IAASB's diverse views toward the identification of other information obtained after the date of the auditor's report as explained in paragraph 13 above. Accordingly, the Task Force recommends the following changes:
 - (a) In relation to audits of listed entities, when other information exists or will exist, the auditor will be required in all cases to identify both the other information obtained before the date of the auditor's report and the other information expected to be obtained after that date. However, for entities other than listed entities, when other information exists or will exist, the reporting will only be required in reference to other information obtained before the date of the auditor's report (see paragraph 21 of Agenda Item 2-B). The Task Force believes that this approach balances the perspectives from the IAASB's October 2014 teleconference by recognizing the public interest in identifying the other information that the auditor will read and consider (including other information obtained after the date) for listed entities, which may be characterized as having a larger potential pool of users and, usually, clearer obligations regarding the preparation and timing of the annual report. For entities other than listed entities, the auditor will not be required to identify the other information to be obtained after the date in recognition that, in many cases, the annual reporting process may not be subject to the same level of regulation. The Task Force believes that this approach is a solution which balances the benefits of transparency with the practical difficulties that may be encountered by auditors of entities other than listed entities with respect to other

information that is not available until after the date of the auditor's report. The Task Force also notes that regulators and NSS can supplement the reporting requirements of ISA 720 when, in their jurisdiction, there are also clear obligations regarding the preparation and timing of the annual report for entities other than listed entities. Illustrative reports have been provided for both listed entities and non-listed entities (see Appendix 2 of Agenda Item 2-B).

- (b) The Task Force agreed with respondents who believed that clarifying that the auditor's opinion on the financial statements does not cover the other information is helpful in addressing the risk that an expectations gap might arise (see paragraph 21A(b) of Agenda Item 2-B). However, the Task Force did not believe it was also necessary to note in the illustrative statements that ISA 720 does not require the auditor to obtain audit evidence beyond that required for an audit of financial statements.
 - (c) The description of the auditor's responsibilities has been amended in light of the changes made to the work effort. While the Task Force is cognizant of the benefits of a precise description of the auditor's responsibilities according to the ISA, the Task Force believes that the section addressing other information should be of a length and tone such that it fits appropriately with the rest of the auditor's report. Accordingly, the Task Force has proposed only limited changes to the description of the auditor's responsibilities (see Illustration 1 in Appendix 2 of Agenda Item 2-B). However, while the Task Force supports Illustration 1, the Task Force has also drafted an alternative in response to the comments outlined in paragraph 11 above that provides greater detail regarding the auditor's responsibilities by specifically referring to the comparison procedures required to be performed (see Option 1, the Task Force's preferred approach, and Option 2, the alternative approach, in Appendix 2 to this paper). If the IAASB prefers the alternative, more detailed approach, then the illustrations in Appendix 2 of Agenda Item 2-B will be conformed to Option 2.
- 15. In relation to the phrase "If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard," the Task Force continues to believe that the phrase is appropriate, recognizing that a balance must be struck between avoiding the risk that the work on other information be seen as assurance and yet providing transparency over the outcome of the auditor's work on other information.
 - 16. The Task Force acknowledges that the concerns expressed by respondents that users may take assurance when none has been obtained by the auditor and believes the amendments in paragraph 14 above address this risk, particularly the stronger warning that the auditor's opinion on the financial statements does not cover the other information. However, the Task Force also notes that the "audit expectations gap" cannot be addressed solely by the auditor's report, and that other parties, such as regulators, national auditing standard setters (NSS), and firms have a role to play in educating users.
 - 17. The Task Force also considered whether auditors should be permitted to perform procedures on a pre-final version of the other information. While this would assist auditors in some jurisdictions where other information is commonly prepared after the date of the auditor's report, the Task Force does not believe that reporting should be done unless the auditor has obtained the final version of the other information. Reporting

on a pre-final version risks undermining public confidence in the auditor's report if the other information is changed subsequent to the auditor's performance of the procedures required by proposed ISA 720 (Revised).

18. In the interests of clarity, the Task Force has also proposed splitting the key reporting requirement into two sections (paragraph 21 and 21A of Agenda Item 2-B). This allows the requirements to focus first on whether reporting is required and then to describe the required content of the report. The illustrative reports have also been moved to an appendix.

Illustrative Sections of the Auditor's Report Addressing Other Information

19. Consistent with ED-720 (2014), the proposed revised ISA includes illustrations outlining how the reporting may appear under different circumstances. In view of the Task Force's proposal to bifurcate the reporting for listed entities and other than listed entities, the illustrations in Appendix 2 of Agenda Item 2-B now cover the following circumstances:

Circumstance	Listed Entities	Other Than Listed Entities
All other information obtained prior to the date of the auditor's report	Illustration 1	Illustration 1
Some other information obtained prior to the date of the auditor's report and some expected after that date	Illustration 2	Illustration 3
All other information to be obtained after the date of the auditor's report	Illustration 4	No reporting required

20. Consistent with ED-720 (2014), the ISA will also include illustrations covering situations when the auditor has identified a material misstatement of the other information (Illustration 5), when the auditor has identified a limitation of scope with respect to a material item in the financial statements which also affects the other information (Illustration 6), and when there is an adverse opinion on the financial statements which also affects the other information (Illustration 7). These illustrations are based on all other information having been obtained prior to the date of the auditor's report, and are the same for both listed entities and other than listed entities.

Matters for IAASB Consideration

2. Members are asked to share their views on the changes proposed by the Task Force in response to comments received on the reporting requirements of proposed ISA 720 (Revised), specifically:
 - The key reporting requirements (paragraphs 21 and 21A of Agenda Item 2-B); and
 - The illustrative sections addressing other information (Appendix 2 of Agenda Item 2-B).

Members are also asked whether these changes are sufficiently responsive to comments received on exposure.

3. Does the IAASB support the Task Force's proposed description of the auditor's responsibilities in Illustration 1 (Option 1 of Appendix 2 to this paper), or the alternative, more detailed version (Option 2 of Appendix 2 to this paper)?

C. Scope of Other Information

Background and Respondents' Comments

21. Unlike the previous ED, the scope of ED-720(2014) met with broader support, with several¹⁸ respondents noting that the proposed scope of the ISA, including the definitions of other information and annual report, were appropriately flexible to account for national variations. For example, one regulatory respondent¹⁹ noted that "We believe that the scope, determined by reference to the "annual report" while leaving room to integrate the diversity of potential additional legal provisions, is an acceptable compromise. Indeed, the combination of the definition and the application material as proposed in the exposure draft is likely to enhance consistency in practice and to clarify the scope of documents covered. This, together with the specific identification, in the audit report, of the documents examined by the auditor is likely to remove uncertainty for the users about the documents covered."
22. A few²⁰ respondents believed that the definitions of other information and annual report were insufficiently clear or were open to differing interpretations. Others²¹ wanted a specific limitation of the documents that could be considered other information, such as documentation containing the financial statements.
23. Respondents made suggestions for specific inclusions or exclusions from the scope of the ISA. For example, a monitoring group respondent²² asked whether insurer's capital adequacy reports would be within scope while another monitoring group respondent²³ noted that some securities regulators wanted securities offering documents to be within the scope of proposed ISA 720 (Revised) (see also paragraph 24 below). A few respondents²⁴ wanted specific documents excluded, such as non-financial, subjective, opinion-based, and forward-looking information as they did not believe auditors have the expertise to perform the procedures required by proposed ISA 720 (Revised). A regulatory respondent²⁵ believed that integrated reports should be excluded from the scope of the ISA.
24. Other concerns noted included that:
 - The requirement to determine, through discussion with management, which documents comprise the other information was seen to be encouraging the

¹⁸ **Other Regulators:** EAIG, IRBA; **NSS:** NBA, NZAUASB; **Accounting Firms:** EYG; **Public Sector:** AGC, INTOSAI; **Member Bodies:** EFAA, ZICA

¹⁹ **Other Regulators:** EAIG

²⁰ **Those Charged With Governance:** AICD; **Accounting Firms:** EYG; **Member Bodies:** FAR

²¹ **Member Bodies:** ASSIREVI, FAR

²² **Monitoring Group:** IAIS

²³ **Monitoring Group:** IOSCO

²⁴ **Preparers:** CCMC, HQ; **Member Bodies:** ISCA

²⁵ **Other Regulator:** EAIG

auditor to negotiate with management so as to be able to agree on which documents comprise the auditor's report.²⁶

- The IAASB should have a project addressing assurance on securities offering documents.²⁷
- The term "issued separately" in paragraph A3 of the ISA was not clear.²⁸
- The definition of an annual report should be made more precise by moving the examples to the application material.²⁹

Task Force Recommendations

25. The Task Force acknowledges the broad support for the definitions of other information and annual report and accordingly few changes are proposed to the definitions (see paragraphs 12(a) and (c) of Agenda Item 2-B).
26. In other parts of the ISA, the Task Force has sought to further clarify the scope of the ISA by taking into account the comments received on exposure. For example:
 - The auditor is now required to seek to obtain a management representation that, when some or all of the other information will not be available until after the date of the auditor's report, the final version of the other information will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by the ISA (see paragraph 13(a) of Agenda Item 2-B). This is intended to assist the auditor in obtaining such other information on a timely basis so that the ISA can be complied with, and also provides a further dialogue with management about management's intention to issue such other information (note that the auditor may also choose to request a representation about management's intention to prepare and issue the other information after the date of the auditor's report – see paragraph A19 of Agenda Item 2-B). Existing application material already notes that "if the auditor is unable to ascertain the purpose or timing of such a document, the document is not considered other information for purposes of this ISA" (see paragraph A14 of Agenda Item 2-B) and, accordingly, a failure to obtain such a representation may support a conclusion that the document will likely never be prepared or issued (and, therefore, would not be other information under paragraph 13(a) of Agenda Item 2-B).
 - Paragraph A3 of Agenda Item 2-B has been revised to remove the term "issued separately" (which the Task Force now believes may be difficult to apply when documents are released electronically) and to clarify that capital adequacy reports are not typically part of the other information.
 - Paragraph A4 of Agenda Item 2-B, which discussed integrated reports, was seen by the Task Force to be unhelpful in that the future status of integrated reports may change (that is, it may become common for the annual report to be an integrated report). Accordingly, paragraph A4, which indicates that some

²⁶ **Other Regulator:** EAIG

²⁷ **Monitoring Group:** IOSCO; **Other Regulators:** EAIG, IRBA

²⁸ **Accounting Firms:** BDO, DTT, GTIL; **Member Bodies:** CAQ, FAR, SAICA

²⁹ **NSS:** IDW

integrated reports are not the annual report, may be perceived as leading the auditor to the wrong conclusion in such circumstances.

Matter for IAASB Consideration

4. Does the IAASB support the Task Force's proposed changes relating to the scope of other information? Does the IAASB believe that these changes are sufficiently responsive to comments received on exposure?

D. Documentation

27. While most respondents did not mention the documentation requirements, some concerns were expressed and additional guidance material recommended in relation to specific aspects of documentation.
28. Some³⁰ respondents to ED-720 (2014) asked whether the IAASB intended that ISA 230³¹ apply to the auditor's work under ISA 720. Two monitoring group respondents³² noted variously that the documentation requirements of the ISA appear to be at a relatively low level, and that there was little guidance to the auditor regarding an acceptable level of detail necessary to evidence the work effort performed. Other respondents asked for additional application material to address the documentation of the following matters, among others:
- Work performed in accordance with remaining alert for other indications that the other information may be materially misstated.³³
 - The "read and consider" when the auditor reported on the inconsistency noted.³⁴
 - Clarification of how to comply with the requirements in ISA 230 regarding completing the assembly of the file on a timely basis when other information is obtained after the date of the auditor's report (and potentially after the audit file has been closed).³⁵ One NSS respondent³⁶ asked whether obtaining other information after the date of the auditor's report constitutes exceptional circumstances under paragraph 13 of ISA 230.³⁷

One professional organization respondent³⁸ suggested that the documentation should include the date on which the other information is obtained and the date on which the work is done.

³⁰ **Monitoring Group:** IFIAR, IOSCO; **Other Regulators:** IRBA; **NSS:** CAASB; **Member Bodies:** SAICA

³¹ ISA 230, *Audit Documentation*

³² **Monitoring Group:** IFIAR, IOSCO

³³ **Member Bodies:** SAICA

³⁴ **Member Bodies:** SAICA

³⁵ **NSS:** CAASB, JICPA

³⁶ **NSS:** JICPA

³⁷ ISA 230.13 states "If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document: (Ref: Para. A20) (a) The circumstances encountered; (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and (c) When and by whom the resulting changes to audit documentation were made and reviewed.

³⁸ **Member Bodies:** FEE

29. The Task Force notes these concerns and proposes the following changes to strengthen the documentation requirement:
- Paragraph 24 of Agenda Item 2-B now explicitly links the documentation requirement in ISA 720 (Revised) to ISA 230.
 - The documentation requirement has been expanded to also require documentation of the procedures performed under this ISA.
30. The Task Force believes that these changes to the documentation requirements result in greater specificity in the documentation by linking to ISA 230's extensive requirements and application material. The Task Force also notes that this level of detail is consistent with other similar ISAs.³⁹ The Task Force considered drafting guidance material about how to document work performed on other information obtained after the date of the auditor's report, but concluded that, as this issue already arises under extant ISA 720 and ISA 560,⁴⁰ the ISA should not address this issue.

Matter for IAASB Consideration

5. Does the IAASB support the Task Force's proposed changes to the documentation requirement?

Other Matters

E. Effective Date and Other Matters

31. In ED-720 (2014), it was noted that the IAASB believes that an appropriate effective date for the final ISA 720 (Revised) would be 12–15 months after approval of the final standard but may be longer or shorter to align with the effective date of the revisions arising from the auditor reporting project.
32. The majority of respondents supported the IAASB's proposed effective date.⁴¹ Accordingly, the Task Force recommends that ISA 720 (Revised) be effective for audits of financial statements for periods ending on or after December 15, 2016 to align with the auditor reporting project. Early adoption of the ISA would be permitted, as is the case with all the IAASB's standards unless specifically prohibited.
33. ED-720 (2014) also asked for respondents views on the applicability of proposed ISA 720 to the public sector, Small- and Medium-Sized Practices (SMPs) and Small- and Medium-Sized Entities (SMEs), developing nations, and whether there are any translation issues noted. There were no significant concerns expressed with regard to these matters that have not been addressed elsewhere in the agenda material for the September, October, and December 2014 IAASB meetings and teleconferences.

³⁹ For example, paragraph 29 of ISA 250 states "The auditor shall include in the audit documentation identified or suspected non-compliance with laws and regulations and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity."

⁴⁰ ISA 560, *Subsequent Events*

⁴¹ Of those that addressed the IAASB's proposed effective date, the only dissenting view was from **Preparers**: HQ.

Matter for IAASB Consideration

6. Does the IAASB support the ISA 720 (Revised) be effective for audits of financial statements for periods ending on or after December 15, 2016, to align with the auditor reporting project?

F. Due Process Matters

Significant Matters Identified by the IAASB Task Force

34. In the Task Force's view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its considerations therein, have all been reflected in the issues papers presented to the IAASB at its meetings. In the IAASB Task Force's view, there are no significant matters it has discussed in this project that have not been brought to the IAASB's attention.

Consideration of the Need for Further Consultation

35. The Task Force does not believe that field testing of the proposals, or a roundtable, are warranted, given that the revised ISA has been re-exposed.

Consideration of the Need for Re-Exposure

36. To facilitate the IAASB's consideration of the need for re-exposure, Agenda Item 2-C shows the marked changes from ED-720 (2014).
37. The Task Force does not believe that re-exposure is needed as (i) the proposed ISA has already been re-exposed, giving respondents a second opportunity to comment on the IAASB's proposals, and (ii) the major changes (as shown in Agenda Item 2-C) are in response to comments received on exposure, and do not fundamentally change the principles of the ISA.
38. On the basis of the above, the Task Force believes that re-exposure is not necessary.

Matter for IAASB Consideration

7. Does the IAASB agree that re-exposure of ISA 720 (Revised) is not necessary?

Appendix 1

List of Respondents to the Exposure Draft on ISA 720 (2014)

Note: Members of the Monitoring Group are shown in bold below

#	Abbrev.	Respondent (72)	Region
Regulators and Oversight Authorities (10)			
1.	BCBS	Basel Committee on Banking Supervision	GLOBAL
2.	CSA	Canadian Securities Administrators	NA
3.	21 AR	Group of 21 European Audit Regulators ⁴²	EU
4.	FRC	Financial Reporting Council (UK)	EU
5.	IAIS	International Association of Insurance Supervisors	GLOBAL
6.	ICAC	Ministerio de Economía y Competitividad (Instituto de Contabilidad y Auditoria de Cuentas) [Ministry of Economics and Competiveness (Institute of Accounting and Audit)]	EU
7.	IFIAR	International Forum of Independent Audit Regulators	GLOBAL
8.	IOSCO	International Organization of Securities Commissions	GLOBAL
9.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
10.	MAOB	Securities Commission of Malaysia - Audit Oversight Board	AP
Those Charged with Governance (1)			
11.	AICD	Australian Institute of Company Directors	AP
National Auditing Standard Setters (9)			
12.	AICPA	American Institute of CPAs - Auditing Standards Board	NA
13.	AUASB	Australian Auditing and Assurance Standards Board	AP
14.	CAASB	Canadian Auditing and Assurance Standards Board	NA
15.	CNCC/CSO EC	Compagnie Nationale des Commissaires aux Comptes & Conseil Supérieur de l'Ordre des Experts-Comptables	EU
16.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
17.	IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.	EU
18.	JICPA	Japanese Institute of Certified Public Accountants	AP
19.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
20.	NZAUASB	New Zealand Auditing and Assurance Standards Board	AP

⁴² The 21 countries represented in this group are: Austria, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Liechtenstein, Lithuania, Luxembourg, The Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

Accounting Firms (11)⁴³			
21.	BDO*	BDO International Limited	GLOBAL
22.	CH*	Crowe Horwath	NA
23.	DTT*	Deloitte Touche Tohmatsu Limited	GLOBAL
24.	EYG*	Ernst & Young Global Limited	GLOBAL
25.	GTI*	Grant Thornton International Ltd	GLOBAL
26.	KPMG*	KPMG IFRG Limited (Network)	GLOBAL
27.	MNP	MNP LLP	NA
28.	PKF*	PKF International	GLOBAL
29.	PWC*	PricewaterhouseCoopers International Limited	GLOBAL
30.	RSM*	RSM International	GLOBAL
31.	UAB	UAB Raimda Auditas	EU
Public Sector Organizations (9)			
32.	AGC	Auditor General Canada	NA
33.	AGNZ	Auditor General New Zealand	AP
34.	AGSA	Auditor General South Africa	MEA
35.	CIPFA	Chartered Institute of Public Finance & Accountancy	GLOBAL
36.	GAO	United States Government Accountability Office	NA
37.	INTOSAI	Financial Audit Subcommittee of INTOSAI	GLOBAL
38.	UKNAO	National Audit Office (UK)	EU
39.	PAS	Provincial Auditor Saskatchewan	NA
40.	SNAO	Swedish National Audit Office	EU
Preparers of Financial Statements (2)			
41.	CCMC	Center for Capital Markets Competitiveness	NA
42.	HQ	Hydro Quebec	NA
Member Bodies and Other Professional Organizations (28)			
43.	ACCA	Association of Chartered Certified Accountants	GLOBAL
44.	AIC	Asociacion Interamericana de Contabilidad	SA
45.	ANAN	Association of National Accountants of Nigeria	MEA
46.	ASSIREVI	Associazione Italiana Revisori Contabili (Association of the Italian Auditors)	EU
47.	CACR	Chamber of Auditors Czech Republic	EU
48.	CALCPA	California Society of CPAs	NA
49.	CAQ	Center for Audit Quality	NA

⁴³ Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

50.	CPAA	CPA Australia	AP
51.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
52.	FAR	FAR (Institute for the Accountancy Profession in Sweden)	EU
53.	FEE	Fédération des Experts comptables Européens - Federation of European Accountants	EU
54.	FSR	Foreningen af Statsautoriserede Revisorer (Danish Institute of Accountants)	EU
55.	IBRACON	Instituto dos Auditores Independentes do Brasil	SA
56.	IBR-IRE	Institut des Experts-comptables et des Conseils Fiscaux (Instituut Van de Accountants en de Belastingconsulenten) & Instituut van de Bedrijfsrevisoren (Institut des Réviseurs d'Entreprises)	EU
57.	ICAG	Institute of Chartered Accountants – Ghana	MEA
58.	ICAS	Institute of Chartered Accountants of Scotland	EU
59.	ICAK	Institute of Chartered Accountants of Kenya	MEA
60.	INCP	Instituto Nacional de Contadores Públicos	SA
61.	IPA	Institute of Public Accountants (Australia)	AP
62.	IPAP	Institute of Public Accountants of Pakistan	AP
63.	ISCA	Institute of Singapore Chartered Accountants	AP
64.	KICPA	Korean Institute of CPAs	AP
65.	MIA	Malaysian Institute of Accountants	AP
66.	MICPA	Malaysian Institute of CPAs	AP
67.	NYSSCPA	New York State Society of CPAs	NA
68.	SAICA	South African Institute of Chartered Accountants	MEA
69.	WPK	Wirtschaftsprüferkammer (German Public Accountants)	EU
70.	ZICA	Zambia Institute of Chartered Accountants	MEA
Individuals and Others (2)			
71.	CBarnard	Chris Barnard	EU
72.	DJuvenal	Denise Juvenal	SA

Appendix 2

Alternative Options for Illustration 1

Note to IAASB: Below are two alternatives for describing the auditor’s responsibilities in the auditor’s report. The highlighted sections of each show the area that would change if Option 2 was selected. Option 1, the Task Force’s preferred option, has been used throughout Agenda Item 2-B

Option 1 – Task Force Preferred Option	Option 2 Alternative, More Detailed Approach
<p><u>Other Information [or another title if appropriate such as “Information other than the financial statements and auditor’s report thereon”]</u></p> <p>Other information comprises the [information included in the X report,⁴⁴ but does not include the financial statements and our auditor’s report thereon.]</p> <p>Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p>	<p><u>Other Information [or another title if appropriate such as “Information other than the financial statements and auditor’s report thereon”]</u></p> <p>Other information comprises the [information included in the X report,⁴⁰ but does not include the financial statements and our auditor’s report thereon.]</p> <p>Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether there is a material inconsistency between that information and:</p> <ul style="list-style-type: none"> • The financial statements, based on performing comparison procedures on selected amounts or other items; and • Our knowledge obtained in the audit. <p>When reading the other information, we are also responsible for remaining alert for other indications that the other information not related to the financial statements or our knowledge obtained in the audit appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.</p>

⁴⁴ A more specific description of the other information, such as “the management report and chairman’s statement,” may be used to identify the other information.