

## Other Information—Issues and IAASB Task Force Proposals

### Introduction

1. As noted in the December 2013 IAASB meeting papers, most aspects of proposed ISA 720 (Revised)<sup>1</sup> were close to finalization at that date. Accordingly, the Task Force focused its efforts on addressing the remaining concerns about the objectives, work effort and reporting. This paper is structured as follows:
  - (a) Objectives and Work Effort (**Section A** below);
  - (b) Reporting (**Section B** below);
  - (c) Conforming and Consequential Amendments (**Section C** below);
  - (d) Other Matters (**Section D** below)

### Significant Issues and Task Force Recommendations

#### A. Objectives and Work Effort

##### *Section A-1: Objectives*

2. At the December 2013 IAASB meeting, a number of IAASB members raised concerns with the proposed objectives stated in the draft revised ISA. In brief, they were concerned that the objectives could be read as requiring the auditor to focus specifically on improving the quality of the other information in its own right – a position that they saw as beyond the scope of an audit of financial statements and likely to lead to an increase in the expectations gap. They also noted that what they saw as the ultimate purpose of the auditor looking at other information – namely, determining whether there is an inconsistency between the other information and the audited financial statements that could undermine the credibility of the audited financial statements – was obscured by the approach taken to the objectives. Other comments included that the objectives did not adequately link to the auditor’s ethical obligations.
3. At the February 2014 IAASB teleconference, the IAASB considered the Task Force’s proposals for further revised objectives.<sup>2</sup> Members’ comments indicated support for the proposals. However, concerns were also expressed including, in the main, that:
  - The objectives could be further simplified, perhaps by being less procedural or process-driven.
  - “Perform[ing] certain limited procedures” could be read as applying to the consistency check with the auditor’s knowledge, which was not the Task Force’s intention.
  - The phrase “perform certain limited procedures to consider...” suggested that procedures needed to be performed in order to “consider” which was not in keeping with past IAASB discussions and other ISAs that “consider” was an exercise of the mind.

---

<sup>1</sup> Proposed ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

<sup>2</sup> Please see the February 2014 IAASB meeting papers on the IAASB website.

- The word “limited” in “certain limited procedures” could be misconstrued as implying that limited assurance had been obtained. A suggestion was made that the phrase “certain specified procedures” could be used instead.
- The placement of the statement “because such an inconsistency may undermine the credibility of the financial statements and the auditor’s report thereon” was confusing, as it was difficult to see how an inconsistency with the auditor’s knowledge could undermine the credibility of the financial statements and the auditor’s report thereon as users would not know what the auditor knew.

#### Task Force Response

4. In response to these concerns, the Task Force redrafted the proposed objectives as follows:

9. *The objectives of the auditor, having read the other information, are:*

- (a) *To consider, through performing limited procedures, whether there is an apparent material inconsistency between the other information and the financial statements, because such an inconsistency may undermine the credibility of the financial statements and the auditor’s report thereon;*
- (b) *To consider whether there is an apparent material inconsistency between the other information and the auditor’s knowledge gained during the course of the audit;*
- (c) *To respond appropriately when the auditor identifies such apparent material inconsistencies, or when the auditor becomes aware that other information is apparently materially incorrectly stated or is otherwise misleading; and*
- (d) *To report in accordance with this ISA.*

5. The revised objectives are designed to provide a balanced and measured response to the comments received. The Task Force notes the following about the revised objectives:

- The objectives have been reframed to separate the consideration of apparent material inconsistencies between the other information and the financial statements from apparent material inconsistencies between the other information and the auditor’s knowledge. This allows the concept of “limited procedures” to relate to the consideration of consistency with the financial statements, and not to the consideration of consistency with the auditor’s knowledge. It also addresses the concern about an apparent material inconsistency with the auditor’s knowledge not being able to undermine the credibility of the financial statements and the auditor’s report thereon.
- The term “limited procedures” has been used instead of the suggested phrase “certain specified procedures,” proposed at the February 2014 IAASB teleconference. This is due to both “certain” and “specified” implying that the auditor is required to perform specific procedures (and only specified procedures)—which does not match the work effort of proposed ISA 720 (Revised) (see Section A-II below). The Task Force does not believe that users will be confused about the use of the term “limited” given that the illustrative statement in the auditor’s report makes clear that “*we have not audited or reviewed the other information and accordingly do not express any form of assurance conclusion on it*” (see Section B-I below).

6. The Task Force believes that these objectives achieve an appropriate balance between being clear in the aims of the auditor in complying with the proposed ISA, and being sufficiently linked to the required work effort (see Section A-II below).

7. The Task Force also concluded that reference to the auditor's ethical obligations is best placed in the introductory material (see paragraph 2 of Agenda Item 2-B), rather than the objectives, to help set the context for the whole ISA.

*Section A-II: Key Work Effort Paragraphs*

8. Paragraphs 12 and 13 of Agenda Item 2-B contain the key work effort paragraphs:
  12. *The auditor shall read the other information and shall: (Ref: Para. A21–A22)*
    - (a) *Consider whether there is an apparent material inconsistency between the other information and the financial statements; (Ref: Para. A23–A27)*
    - (b) *Consider whether there is an apparent material inconsistency between the other information and the auditor's knowledge gained during the course of the audit; and (Ref: Para. A28–A33)*
    - (c) *Remain alert for other indications that the other information is apparently materially incorrectly stated or is otherwise misleading. (Ref: Para. A34–A35)*
  13. *In fulfilling the requirement in paragraph 12(a), the auditor shall perform limited procedures to evaluate the consistency between 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.*
9. In developing these revised requirements, the Task Force focused on providing a work effort that is as clear and straight-forward as possible. Appendix 1 contains a flow chart that illustrates how the work effort paragraphs operate.
10. The Task Force notes the following with respect to these work effort paragraphs:
  - (a) Paragraph 12 requires the auditor to perform three clear elements of work effort: a consistency check with the financial statements; a consistency check with the auditor's knowledge gained during the course of the audit; and, finally, remaining alert for other indications that the other information is apparently materially incorrectly stated or otherwise misleading.
  - (b) The phrase "knowledge gained during the course of the audit" is used in paragraph 12(b) to establish a reasonable boundary, for this requirement, in relation to the knowledge that needs to be applied. As the definition of the "auditor" includes the "engagement partner or other members of the engagement team, or, as applicable, the firm," the expression "knowledge of the auditor" without using the qualifier "gained during the audit" could be understood as meaning "knowledge of the firm". A qualifier must therefore be placed to avoid implying an obligation for processes within a firm to be established in order to compare the other information with the entire firm's knowledge – which is neither the intention of the Task Force nor practicable.<sup>3</sup>
  - (c) In relation to paragraph 12(b), the proposed application material to this requirement makes clear that professional judgment is needed in deciding whether, and the extent to which, the auditor makes reference to auditor documentation, directs inquiries to members of the engagement team or a component auditor, or decides to base the consideration on the auditor's recollection alone. The application material also states that it is neither necessary nor practicable for the auditor to reference every matter in the other information to audit documentation; this should make clear that the ISA does

---

<sup>3</sup> For example, paragraph 8 of ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*, requires only the engagement partner's knowledge from other engagements to be considered when identifying the risks of material misstatement.

not require an exhaustive search of the audit documentation (see paragraphs A31–A33 of Agenda Item 2-B).

- (d) The phrase “remain alert of other indications that the other information is apparently materially incorrectly stated or is otherwise misleading” clarifies, and set boundaries around, the work effort in respect of other information that is not comparable to the financial statements or not related to the auditor’s knowledge gained during the course of the audit.
- (e) In addition to the requirement in paragraph 12(a) to consider whether there is an apparent material inconsistency between the other information and the financial statements, paragraph 13 requires the auditor to perform limited procedures to evaluate the consistency of the other information with the financial statements. The application material to this requirement explains that professional judgment aids in determining the extent of procedures necessary in the circumstances and may be influenced by the significance of the other information in the context in which it is presented, and Appendix 2 of the ISA provides examples of procedures that may be undertaken.

The proposed paragraph 13 does not mandate any particular procedure in keeping with the views previously expressed by the IAASB of the importance of requirements that are set at a principles level.

The Task Force considered, but rejected, the option of specifying procedures. The Task Force noted that the inclusion of specific procedures in the requirement has the potential to lead to an unintended level of work. For example, specifying any wording, such as “compare amounts,” may lead to an unintended inference that all amounts need to be compared, and may require explanation of what “compare” means in relation to qualitative statements, summarized or granular information, etc. The Task Force also noted that specifying procedures may overly focus the auditor’s attention on such types of information, and less attention on other types.

- (f) The consideration (see paragraph 12(a)) of whether there is a material inconsistency between the other information and the financial statements is supplemented by the use of the verb “evaluate” in paragraph 13 to require the performance of limited procedures fulfill the requirement in 12(a).
  - (g) Related application material has been extensively revised and restructured to provide clearer guidance (see paragraphs A21–A44).
11. As part of the clarification of the work effort, paragraph 14 of Agenda Item 2-B has also been introduced to make clear that there are three possible outcomes if the auditor detects a material inconsistency. This paragraph requires the auditor, when such a material inconsistency has been identified, or the auditor has become aware of other information that is apparently materially incorrectly stated or otherwise misleading, to determine whether there is a material misstatement in the other information, the financial statements or whether the auditor’s understanding of the entity and its environment needs to be updated.

### *Section A-III: Other Matters Related to the Auditor’s Work Effort*

#### Retention of “Material Misstatement of the Other Information”

- 12. As noted in the February 2014 IAASB meeting papers, the Task Force has chosen to retain the concept of a material misstatement of the other information. Use of this term enable the drafting of the ISA to be as simple as possible, as it enables the single term to be used in place of its definition .
- 13. The Task Force proposes a few changes to the definition and application material for a material misstatement of the other information:

- As noted in the February 2014 IAASB meeting papers, the term “inappropriately presented” has been removed from the definition as it was believed to be duplicative of the term “otherwise misleading.” (see paragraph 10(b) of Agenda Item 2-B)
- To provide additional guidance on the auditor’s judgment of the materiality of a misstatement, the application material now also includes improved material addressing circumstances when the other information is only part of the overall set of information available to a user of the financial statements (see paragraph A5 of Agenda Item 2-B).

#### Obtaining the Other Information

14. The Task Force has revised paragraph 11 of Agenda Item 2-B to clarify that discussion with management is part of determining the composition of the other information and the planned timing of its issuance. The related application material has been restructured to align with the requirement (see paragraphs A11–A20 of Agenda Item 2-B).

#### Separation of Requirements Regarding the Auditor’s Response to a Material Misstatement of the Other Information Obtained Prior to or After the Date of the Auditor’s Report

15. To improve the clarity of drafting, the Task Force has separated and enhanced the material addressing the auditor’s responses to a material misstatement of the other information obtained prior or after the date of the auditor’s report (see paragraphs 17 and A46–A47 of Agenda Item 2-B).
16. The Task Force has also proposed conforming and consequential amendments to ISA 560<sup>4</sup> (see Agenda Item 2-E and Section C below) to clarify the boundaries of ISA 560 vis-à-vis proposed ISA 720 (Revised). The conforming and consequential amendments to ISA 560 make clear that, while ISA 560 is not intended to address such other information, it is possible that other information obtained after the date of the auditor’s report may bring to light a subsequent event that is within the scope of ISA 560.

#### Matter for IAASB Consideration

1. Does the IAASB support the proposed objectives and work effort paragraphs (paragraphs 9 and 12-18 of Agenda Item 2-B)?

## B. Reporting

### Section B-1: Illustrative Statement

17. Paragraph A49 of Agenda Item 2-B contains the following illustrative statement for the auditor’s report:

*Other Information [or another title if appropriate such as “Information other than the financial statements and auditor’s report thereon”]*

*The annual report<sup>5</sup> contains the financial statements, this auditor’s report thereon, and other information.<sup>6</sup>*

*Our responsibility is to read the other information and to consider, through performing limited procedures, whether there is an apparent material inconsistency between the other information and the financial statements. In reading*

<sup>4</sup> ISA 560, *Subsequent Events*

<sup>5</sup> Use another term if appropriate.

<sup>6</sup> A more specific description of the other information, such as “the management report and chair’s statement,” may be used to identify the other information.

*the other information, we also consider whether there is an apparent material inconsistency with our knowledge gained during the course of the audit and remain alert for other indications that the other information is apparently materially incorrectly stated or is otherwise misleading. If we determine that the other information is materially misstated we are required to report that fact. We have nothing to report in this regard.*

*However, we have not audited or reviewed the other information and accordingly do not express any form of assurance conclusion on it.*

18. The above illustrative statement identifies all the other information read and considered by the auditor up to the date of the auditor's report. It also provides an explanation of the auditor's responsibilities with respect to the other information, which is explicitly linked to the terminology used in the ISA to avoid increasing the expectations gap.

#### *Section B-II: Reporting on Other Information Obtained after the Date of the Auditor's Report*

19. The proposed ISA 720 (Revised) continues to require the auditor to read and consider other information obtained after the date of the auditor's report (henceforth, "such other information"). At the December 2013 IAASB meeting, some members thought that the draft lacked clarity about the implications for the auditor and the auditor's report of such other information. Differing views were expressed about whether the ISA should mandate reporting in those circumstances.
20. At that meeting, the PIOB Observer also noted that it is in the public interest for the ISA, when finalized, to be clear about what is expected of the auditor when other information is obtained after the date of the auditor's report. He also noted that it should be clear to users what the auditor has done, that the auditor's report should communicate if the auditor has not obtained any other information, and that the IAASB could mandate reporting on such other information, recognizing that it may be overridden by national law or regulation.
21. The Task Force explored the following courses of action with respect to reporting on such other information:
- Option 1:** Mandating the provision of a new or amended auditor's report
  - Option 2:** Mandating identification of such other information in the auditor's report
  - Option 3:** No reporting about such other information in the auditor's report

#### Option 1: Mandating the Provision of a New or Amended Auditor's Report Auditor's Report

22. Under Option 1, the auditor would, unless prohibited by law or regulation, provide a new or amended auditor's either:
- (a) Whenever other information is obtained after the date of the auditor's report; or
  - (b) Only when the auditor determines that there is a material misstatement of other information obtained after the date of the auditor's report.
23. With respect to this option, the Task Force noted the following:
- Some jurisdictions prohibit providing a new or amended auditor's report.
  - In other jurisdictions, even though there may be no law or regulation prohibiting it, the auditor cannot practically provide a new or amended auditor's report. This lack of international consistency with respect to the auditor's ability to provide a new or amended auditor's report is recognized in the drafting of the auditor's required responses under ISA 560 when the auditor determines, after the date of the auditor's report, that the financial statements need amendment.

- Many jurisdictions do not permit “dual dating” (when the auditor amends the auditor’s report to include an additional date restricted to that amendment). When dual dating is not possible, providing a new or amended auditor’s report would trigger a requirement to apply the subsequent event procedures in paragraphs 6 and 7 of ISA 560 up or close to the date of the new auditor’s report (unless ISA 560 was revised to dis-apply paragraphs 6 and 7 of ISA 560 if a new or amended auditor’s report were provided solely to address a misstatement of the other information.) This could unnecessarily and significantly extend the scope and cost of the financial statement audit.
  - A requirement in the ISAs to provide a new or amended auditor’s report would not guarantee that such a report would be published or re-issued to all those in receipt of the previously issued auditor’s report. This approach alone would not therefore consistently ensure at an international level that there was transparency to users of the original auditor’s report.
24. The Task Force concluded that Option 1 would not be appropriate in an international standard for application in different national contexts.

#### Option 2: Mandating Identification in the Auditor’s Report of Such Other Information

25. Under this option, proposed ISA 720 (Revised) could require identification in the auditor’s report of:
- (a) The document(s), if any, which the auditor has determined<sup>7</sup> to be other information but that had not yet been obtained at the date of the auditor’s report; and
  - (b) The action(s) that the auditor would take if, after the date of the auditor’s report, the auditor determined that there was a misstatement of such other information.

**Appendix 2 of this Paper** sets out the further amendments that would need to be made to proposed ISA 720 (Revised) under Option 2.

26. Option 2 has the following advantages:
- Provides full transparency about the extent of the auditor’s responsibilities for other information obtained after the date of the auditor’s report, because it identifies all of the document(s) that the auditor determined to comprise other information, whether or not they have been obtained by the date of the auditor’s report.
  - Makes the auditor’s determination of the document(s) comprising the other information wholly transparent to users and removes any uncertainty about which documents the auditor has read and considered, or would be required to read and consider after the date of the auditor’s report.
- Proposed ISA 720 (Revised) could also be amended to require the determination of which document(s) comprise the other information to be made at the date of the auditor’s report, and not to be updated if circumstances subsequently change. This would assist in making the determination requirement practical.
- Explaining the actions the auditor would take if they determined that such other information was materially misstated would clarify for users the extent of the auditor’s ability to bring such a matter to their attention, given the legal rights and responsibilities of the auditor in that jurisdiction.

---

<sup>7</sup> Paragraph 11 of proposed ISA 720 (Revised) requires the auditor to ‘...determine through discussion with management, which document(s) comprises the annual report and the planned timing of the entity’s issuance of such document(s)’.

27. Option 2 has the following practical challenges, limitations and disadvantages:

- Giving effect to Option 2 would require making the changes to proposed ISA 720 (Revised) noted in Appendix 2. Further changes would be necessary to require the determination of which document(s) comprise the other information to be made at the date of the auditor's report, and not to be updated if circumstances subsequently change, and to address the matters noted in the following bullet (below). However, adding such material would introduce some further complexity into the ISA, and reduce its clarity—a key concern with ED-720.
- The statement of the actions the auditor would take if they determined that such other information was materially misstated would not be internationally consistent, due to variations in law and regulation.<sup>8</sup> There may be limitations on the auditor's ability to have the matter brought to the attention of users, which may be severe or even absolute.

For example, as discussed under Option 1, auditors are not able to provide a new or amended auditor's report in all jurisdictions. Therefore, the only responsibility that is internationally consistent would be communication of the matter with those charged with governance (see paragraph 15(b) of Agenda Item 2-B).

Thus, users may not know whether the auditor has subsequently identified any material misstatement of the other information received after the date of the auditor's report, unless they are able to obtain that information from the entity. Hypothetically, some could imagine that this concern may possibly be resolved over time by improved communications by entities to inform users as to the outcome of the auditor's consideration of such other information (when the auditor is unable to communicate that outcome to users directly).

However, the variations in the auditor's options, as between jurisdictions, are no different in principle to those that currently exist in relation to the auditor's report when complying with ISA 560. Two possible ways of reducing this inconsistency would be:

- Introducing into proposed ISA 720 (Revised) requirements analogous to those in ISA 560 (see, for example, those in paragraphs 11–13 and 15–17 of ISA 560) would provide for the same extent and manner of transparency of misstatements of other information as for misstatements in the financial statements, when such misstatements are identified by the auditor after the date of the auditor's report; or
- Relying on the requirement of paragraph 17 and the application material in paragraphs A45–A47 of proposed ISA 720 (Revised) which are equivalent to those in extant ISA 720.
- In addition, duplicating or aligning the treatment of such other information with the ISA 560 approach may be seen as over emphasizing the auditor's responsibilities with respect to such other information, and changing the thrust of the audit.
- Finally, production of such other information is dependent on management and may include reports not required by law or regulation. Accordingly, the other information identified by the auditor may never be

---

<sup>8</sup> For example, depending on the auditor's legal rights and obligations, the statement of the auditor's responsibilities may note that the auditor will, if such other information contains a material misstatement, reissue the auditor's report (when permitted by law or regulation), confirm that those charged with governance or management have brought the misstatement to the attention of the users of the auditor's report, directly bring the matter to the attention of users – for example through the forum of the annual general meeting, report it to an appropriate authority, or withdraw from the engagement and make a public statement in connection with that withdrawal.

produced by the entity and, hence, may never be read and considered by the auditor. However, in such circumstances users would appropriately direct questions, where possible, to the entity's management or those charged with governance about the failure to issue the other information.

Option 3: No reporting about such other information in the auditor's report

28. Under this option, proposed ISA 720 (Revised) would continue to require the auditor to read and consider such other information, but would neither require identification of it in the auditor's report, nor a description of the action(s) the auditor would take regarding such other information if the auditor were to determine subsequently that there is a material misstatement of that other information.

This option is reflected in Agenda Item 2-B.

29. Option 3 has the following advantages:

- An internationally consistent approach to statements in the auditor's report.
- Simplicity in the standard and related reporting, and clarity with respect to what work, and on what information, has been done at the date of the auditor's report.
- Avoiding unnecessary complexity when an appropriate response would otherwise still occur in light of the auditor's ethical obligations not to be associated with misleading information and the requirement for the auditor to take steps to be disassociated from such information.

30. Option 3 has the following practical challenges, limitations and disadvantages:

- No transparency of regarding the identification of, or the auditor's responsibilities regarding, such other information.
- Entities may seek to take advantage of this lack of transparency by delaying issuance of other information until after the date of the auditor's report. However, users' demand for other information, and comparisons between entities, may mitigate this risk.

31. In considering Option 3, the Task Force noted that commentators on the original exposure draft of ISA 720 (Revised) believed that the ISA should be clear about what the auditor was required to do – and mandating such reporting introduces a further degree of complexity which is difficult to reconcile with the calls for a simpler and clearer ISA 720.

32. The majority of the Task Force believes that Option 3 provides the best balance of advantages and disadvantages. However, a member of the Task Force believes that Option 2 is most appropriate because it would provide important transparency about other information to be obtained after the date of the auditor's report and the auditor's responsibilities thereon. Nonetheless, the majority of the Task Force is of the view that the nature and practicality of such a specific reporting obligation, as proposed in Option 2, may best be determined at the national level, if such reporting is assessed as useful and practical in a particular national context.

#### **Matters for IAASB Consideration**

2. Does the IAASB support the proposed illustrative statement outlined in Section B-I above?
3. What are the IAASB's views on the relative merits and practical challenges of the options outlined in Section B-II above? In light of those views, which option does the IAASB believe is most appropriate for inclusion in proposed ISA 720 (Revised)?

## C. Conforming and Consequential Amendments

33. The Task Force has considered how other ISAs address the concept of “other information” and accordingly is proposing conforming and consequential amendments to the following ISAs for the following reasons (see Agenda Item 2-E):

- ISA 210<sup>9</sup> – To include reference to other information in the example engagement letter, including the auditor’s new requirement to report on other information received prior to the date of the auditor’s report.
- ISA 230<sup>10</sup> – To clarify that amendments to the audit documentation may take place after the assembly of the final audit file has been completed if other information is obtained after the date of the auditor’s report.
- ISA 260<sup>11</sup> – To highlight that discussions with those charged with governance may include identifying the other information and the planned timing of its issuance.
- ISA 560 – To make clear that ISA 560 does not apply to other information, but that such other information may bring to light a subsequent event that would be within the scope of ISA 560. Application material also makes clear that, while the auditor has no obligation to perform any audit procedures regarding the financial statements after the financial statements have been issued, ISA 720 (Revised) contains requirements and guidance with respect to the other information obtained after the date of the auditor’s report.

In addition, conforming and consequential amendments are proposed to ISA 450,<sup>12</sup> proposed ISA 700 (Revised),<sup>13</sup> and ISA 810<sup>14</sup> to update references to ISA 720 to the terminology used in proposed ISA 720 (Revised). The *Glossary of Terms* will also be updated for the revised definitions used in proposed ISA 720 (Revised).

### Matter for IAASB Consideration

4. Does the IAASB support the proposed conforming and consequential amendments proposed in Agenda Item 2-E?

## D. Other Matters

### Section D-I: Other Changes Since December 2013

34. The Task Force has made other changes to proposed ISA 720 (Revised) including:

- The term “financial statements” has been used throughout the ISA in place of the inconsistent use of “audited financial statements” and “financial statements” in various places.
- A new requirement has been added to require the auditor to communicate with management the proposed wording of any modified statement (see paragraph 21 of Agenda Item 2-B).

<sup>9</sup> ISA 210, *Agreeing the Terms of Audit Engagements*

<sup>10</sup> ISA 230, *Audit Documentation*

<sup>11</sup> ISA 260, *Communication with Those Charged with Governance*

<sup>12</sup> ISA 450, *Evaluation of Misstatements Identified during the Audit*

<sup>13</sup> Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>14</sup> ISA 810, *Engagements to Report on Summary Financial Statements*

- Appendix 1 has been amended to focus on providing example of amounts or other items of a financial nature that may be included in the other information, rather than the previous focus on qualitative and quantitative financial information.

### *Section D-II: Due Process Matters*

#### Significant Matters Identified by the IAASB Task Force

35. 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.
36. The Task Force does not believe that a consultation paper, field testing, or a roundtable is warranted, as the Task Force is recommending re-exposure (see Section D-III below).

#### *Section D-III: Consideration of the Need for Re-Exposure*

37. If the IAASB approves proposed ISA 720 (Revised), under the IAASB's due process, consideration needs to be given to whether it should be re-exposed.<sup>15</sup>
38. The Task Force notes that changes have been made to the objectives and scope of the ISA, and the work effort and reporting requirements in response to comments received on exposure. These changes are shown in Agenda Item 2-D.
39. The Task Force believes that the current proposals result in a substantively improved, but different, approach to fulfilling the aims of the revision of ISA 720 than that proposed in ED-720, for which respondents have not had the opportunity to comment. Therefore, the Task Force believes that additional exposure of the proposals is appropriate.
40. The exposure period for IAASB's standards is ordinarily no shorter than 120 days.<sup>16</sup> In relation to proposed ISA 720 (Revised), the Task Force notes that there would be benefit in finalizing it as timely as possible, including having it finalized as closely as possible to the finalization of the Auditor Reporting project. It also notes that this is a re-exposure of proposals, in response to comment received, rather than the first exposure of new proposals. On balance, the Task Force believes there is merit in considering a re-exposure period of 90 days.

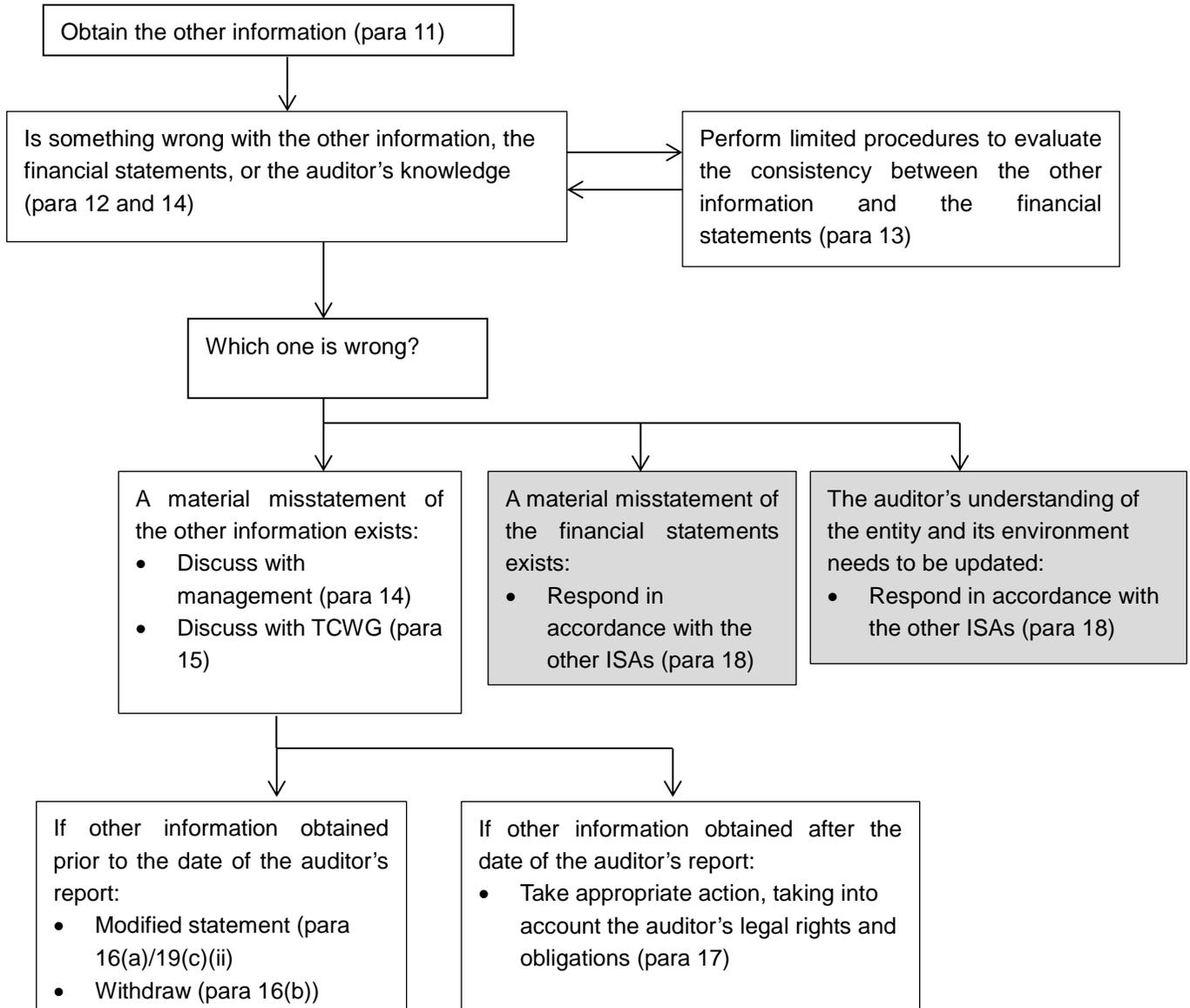
#### **Matter for IAASB Consideration**

5. Does the IAASB agree with the Task Force that re-exposure of ISA 720 (Revised) is appropriate?  
Does the IAASB believe that an exposure period be of 90 days would be appropriate?

<sup>15</sup> After approving the final revised content of an exposed international standard, the IAASB votes on whether there has been substantial change to the exposed document such that re-exposure is necessary. Situations that constitute potential grounds for a decision to re-expose include substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion.

<sup>16</sup> Although the exposure period for a draft international standard will ordinarily be no shorter than 120 days, a shorter or longer exposure period may be set when considered appropriate. A shorter exposure period may be set, for example, where in the public interest there is a need to conclude on a matter more quickly, the exposure draft is relatively simple or short, or where the IAASB decides to re-expose all or only part of a draft international standard.

## Summarized Flowchart of Aspects of the Work Effort Requirements



## Reporting on Other Information Obtained After the Date of the Auditor's Report

These requirements and guidance are provided for the IAASB's reference in considering Question 3 relating to Option 2 considered by the Task Force, as noted in Section B-II above. They do not form part of proposed ISA 720 (Revised) included in Agenda Item 2-B.

### Reporting

19B. When the auditor, through discussion with management (see paragraph 11), has determined that part or all of the other information is planned to be issued by the entity after the date of the auditor's report, the statement in the auditor's report shall include: (Ref: Para. A49A)

- (a) Identification of the other information planned to be issued by the entity after the date of the auditor's report; and
- (b) A description of the auditor's responsibilities with respect to the other information obtained after the date of the auditor's report

\* \* \*

### Illustrative Statement When the Auditor Has Received Part of the Other Information by the Date of the Auditor's Report and Has Not Identified a Material Misstatement of the Other Information

A49A. The following is an example of a statement in the auditor's report when the auditor has determined that part or all of the other information is planned to be issued by the entity after the date of the auditor's report and has not identified a material misstatement in the other information obtained before the date of the auditor's report:

Other Information [or another title if appropriate such as "Information other than the financial statements and auditor's report thereon"]

The other information received at the date of this auditor's report comprises X report and Y report.<sup>17</sup>

Our responsibility is to read the other information and to consider, through performing limited procedures, whether there is an apparent material inconsistency between the other information and the financial statements or our knowledge gained during the course of the audit. Such inconsistencies may indicate that the other information is materially misstated. If we identify that the other information received at the date of this report is materially misstated we are required to report that fact. We have nothing to report in this regard.

However, we have not audited or reviewed the other information and accordingly do not express any form of assurance conclusion on it.

At the date of this auditor's report, we have not received Z report, which will also be part of the other information [and in which we expect this auditor's report to be presented]. Our responsibility with respect to Z report, when received, is as described above. We are not required to reissue our auditor's report if we identify that Z report is materially misstated, however, we intend to *report that*

<sup>17</sup> A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

*matter to those charged with governance and/or describe other appropriate action the auditor would expect to take*.