



**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** New York, USA  
**Meeting Date:** March 9–10, 2015

## Agenda Item K.2

### Report Back on ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

#### Objective of Agenda Item

1. To provide a report back on proposals of the Representatives and Observers on this project as discussed at the November 2014 CAG teleconference.

#### Project Status and Timeline

2. ISA 720 (Revised) was approved at the December 2014 IAASB meeting. Subject to confirmation by the Public Interest Oversight Board of due process followed, ISA 720 (Revised) will be released in April 2015. ISA 720 (Revised) is effective for audits of financial statements for periods ending on or after December 15, 2016, in line with the effective date of the new and revised Auditor Reporting standards.
3. Appendix 1 to this paper provides a project history, including links to the relevant CAG documentation.

#### November 2014 CAG Discussion<sup>1</sup>

4. Below are extracts from the draft minutes of the November 2014 CAG teleconference,<sup>2</sup> and an indication of how the project TF or IAASB has responded to the Representatives' and Observers' comments.

Representatives' and Observers' Comments	Task Force/IAASB Response
WORK EFFORT	
Messrs. Bollman, Kuyers, Waldron and White and Ms. Robert supported the TF's proposals. Mr. Kuyers noted that, while improved wording could be suggested to the TF, it was his view that the focus should be on completing the project.	Support noted.

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<sup>1</sup> The report back for the September 2014 discussion was included in Agenda Item A-1 of the November 2014 teleconference agenda materials.

<sup>2</sup> The minutes of the November 2014 teleconference and the September 2014 meeting will be approved at the March 2015 IAASB CAG meeting.

Representatives' and Observers' Comments	Task Force/IAASB Response
<p>Ms. Molyneux and Mr. Stewart believed that the term “consider” should be changed to “evaluate” to make it stronger. In relation to paragraph 15A, Ms. Molyneux expressed the view that “remain alert” should be changed to “remain vigilant” to give the sense that the auditor is watching out for issues of concern.</p>	<p>Point not accepted.</p> <p>Prof. Schilder noted that the ISA 720 work effort is part of the audit of financial statements and is not a separate engagement. It is therefore not intended to require the auditor to do the level of work necessary to obtain assurance over the OI.</p> <p>Over various IAASB meetings, the IAASB deliberated whether there were alternatives such as “evaluate,” “assess,” or “conclude” that could be used. The IAASB concluded that “consider”—meaning “reflect upon”—appropriately captured the intended level of work effort.</p> <p><b>[See paragraph 14 of ISA 720 (Revised).]</b></p>
<p>Mr. Waldron and Mmes. Lang and Molyneux expressed the view that the reference to the auditor’s recollection should be elevated to be a requirement in paragraph 14(b) in proposed ISA 720 (Revised). In contrast, Ms. Robert and Mr. Stewart suggested that the phrase be retained in the application material.</p> <p>Mmes. Hollein, Lang, and Molyneux and Messrs. Hines, Stewart and Dalkin noted that the term “recollection” was too weak. Ms. Lang noted that an auditor would not be able to recall every matter, therefore reference to audit documentation, engagement team members or component auditors would always be necessary. Mr. Stewart noted that the use of the term seemed to place too much weight on the auditor’s memory and that greater emphasis on reference to the accumulated audit evidence in the audit file would be preferable. Ms. Molyneux noted that the term might encourage evasiveness from the auditor if the auditor was not required to refer to audit documentation, engagement team members or component auditors.</p> <p>Mr. White expressed the view that making inquiries of members of the engagement team would usually be necessary when performing the</p>	<p>Points taken into account.</p> <p>The IAASB determined that reference to the auditor’s recollection in the requirement could interpreted in different ways and therefore did not agree the phrase should be elevated to the requirement. However, to aid in clarifying the IAASB’s intent, and in recognition that the comparison with the auditor’s knowledge needs takes place in the context of an audit of financial statements, the IAASB added the phrase “in the context of the audit evidence obtained and conclusions reached in the audit” to the requirement. The IAASB did not support mandating reference to audit documentation, engagement team members or component auditors in the requirement.</p> <p>The reference to the auditor’s recollection has been relocated to the application material, which also notes that the auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team or relevant component auditors is appropriate as a basis for the auditor’s consideration of whether a material inconsistency exists.</p> <p><b>[See paragraphs 14(b), A30 and A32 of ISA 720 (Revised).]</b></p>

Representatives' and Observers' Comments	Task Force/IAASB Response
requirement set out in paragraph 14(b) in proposed ISA 720 (Revised).	
Ms. Lang believed that the term “comparing” could be used instead of “perform comparison procedures” in paragraph 14(a) in proposed ISA 720 (Revised), as the TF’s attempts to use more action-orientated words have made the paragraph longer. Ms. Lang added the simplified wording would also make the sentence easier to translate.	Point accepted. ISA 720 (Revised) uses the phrase “As the basis for this consideration, the auditor shall...compare...” [See paragraph 14(a) of ISA 720 (Revised).]
Messrs. Dalkin and Stewart agreed that the requirement in paragraph 14 could be further simplified and Mr. Stewart suggested that the requirement could read “the auditor shall compare the OI with the financial statements and the auditor’s knowledge of the entity”. In his view, the other material refers more to the mechanics of how the auditor might go about performing the requirement.	Point not accepted. The IAASB noted that the additional words had been added in response to comments received on exposure and were to address concerns about differing interpretations of the requirements. The Task Force considered whether simplification was possible, which resulted in changes to paragraph 14(a), but further simplification was not seen to be helpful in driving consistent application by auditors - a key concern of respondents to ED-720 (2014). [See paragraph 14 of ISA 720 (Revised).]
Ms. Robert did not believe that the reference to “the documents determined to comprise the annual report in accordance with paragraph 13(a)” was necessary as it seemed to be a duplication of what was already included in the definition of OI.	Point accepted. This phrase has been deleted. [See paragraph 14 of ISA 720 (Revised).]
REPORTING IMPLICATIONS	
Messrs. Hines and Waldron and Mmes. Molyneux and Robert supported the key reporting requirements in paragraph 21 and 21A in proposed ISA 720 (Revised).	Support noted.

Representatives' and Observers' Comments	Task Force/IAASB Response
<p>Mr. Kuyers expressed a preference for having the description of the auditor's responsibilities placed before the statement that the auditor's opinion does not cover the OI and accordingly that the auditor does not express an audit opinion or any form of assurance conclusion thereon.</p>	<p>Point not accepted.</p> <p>The IAASB was of the view that the caveat about the limitations of the auditor's work effort in relation to other information needs to be given adequate prominence.</p>
<p>Messrs. Bollmann, Dalkin, Hines, Stewart, Waldron, and White and Mmes. Elliot and Molyneux did not believe that, when the auditor expects to obtain OI after the date of the auditor's report, the reporting responsibilities for listed entities should be different than those for other than listed entities. On the other hand, Ms. Robert and Mr. Kuyers supported the differential reporting responsibilities for listed and other than listed entities.</p>	<p>Point not accepted.</p> <p>After discussing the issue of reporting regarding such other information and considering the merits of various options, the IAASB concluded that requiring auditors of financial statements of listed entities to identify, in the auditor's report, other information not yet received at the date of the auditor's report would improve transparency for those entities where law or regulation was most likely to clearly set out the expected nature, content and timing of such other information. For other entities, the IAASB determined that the practical difficulties that may be encountered (that is, there may be no legal or regulatory obligation to prepare such other information or such law or regulation may not be as explicit) outweighed the public interest benefits of aligning the reporting with that of listed entities.</p> <p>The IAASB also included application material to indicate that, for audits of entities other than listed entities, the auditor may consider identifying the other information expected to be obtained after the date of the auditor's report that is subject to the auditor's responsibilities (for example, when management is able to represent to the auditor that such OI will be issued after the date of the auditor's report) in order to provide transparency.</p> <p>[See paragraphs 21 and A46A of ISA 720 (Revised).]</p>
<p>Messrs. Hines and Stewart expressed the view that management will either always prepare the OI or will have committed to preparing the OI, so the practical implications for other than listed entities is not a significant obstacle. Mr. White indicated that the auditor should be able to get a representation from management on what OI</p>	<p>Point not accepted.</p> <p>Mr. Gélard, Prof. Schilder and Mr. Montgomery commented that the inclusion of reference to such OI for other than listed entities introduced possible complications which would be difficult for the auditor to address. Mr. Montgomery explained that</p>

Representatives' and Observers' Comments	Task Force/IAASB Response
<p>would be prepared and should be able to limit the scope of the ISA to that OI. Ms. Lang indicated that, while she was uncomfortable with the differential responsibilities, she understood the practical reasons and noted that further guidance could be provided at the national level.</p>	<p>management may not be able or willing to provide the auditor with a representation and the lack of explicit reporting requirements for many other than listed entities could result in an extended period of time before the auditor obtains the OI.</p> <p>The IAASB also noted that there were circumstances when it would be unclear as to whether the other information would be received, and that, while a representation was required for other information expected to be obtained after the date of the auditor's report, the auditor would not be able to compel production of the other information.</p> <p>[See paragraphs 13(c) and A19 of ISA 720 (Revised).]</p>
<p>Mr. Stewart asked if the auditor should be required to list what OI the auditor has not obtained at the date of the auditor's report.</p>	<p>Point taken into account.</p> <p>The IAASB supported identifying the OI expected to be obtained after the date of the auditor's report, but, consistent with the decision to differentiate the reporting responsibilities for other than listed entities, did not extend the responsibility to these entities. The IAASB included application material that notes that the auditor may consider that identifying other information expected to be obtained after the date of the auditor's report for other than listed entities may be appropriate in order to provide additional transparency, for example, when management are able to represent that such other information will be issued after the date of the auditor's report.</p> <p>[See paragraphs 21A(b) and A46A of ISA 720 (Revised).]</p>
<p>Regarding the illustrative statement, Messrs. Bollman and Dalkin and Mmes. Elliot, Lang and Robert expressed a preference for Option 1 (a requirement for listed entities only - the TF's preferred option). Messrs. Stewart and Waldron and Ms. Molyneux preferred Option 2 (a requirement for all entities). However, Mr. Waldron explained that many investors would get what they needed from Option 1. Ms. Robert noted that she believed that Option 1 was closer to the required wording used in the European</p>	<p>Point taken into account.</p> <p>The IAASB also considered the two versions of the illustrative section of the auditor's report addressing other information and concluded that the more concise option (Option 1) was preferable to the more detailed option, as it was of a length and tone such that it fits appropriately with the rest of the auditor's report.</p> <p>[See paragraph 21A and Appendix 2 of ISA 720 (Revised).]</p>

Representatives' and Observers' Comments	Task Force/IAASB Response
Union (EU) for the auditor's statement on the management report. Mr. Hines noted that there was merit in both options.	
OTHER MATTERS	
The Representatives and Observers who participated in the teleconference all expressed support for the TF's proposals to refine the definition of an annual report and the related application material.	Support noted. [See paragraphs 12(a) and A1–A4 of ISA 720 (Revised).]

### Matters for CAG Consideration

5. The Representatives and Observers are asked to note the Report Back above, in particular the changes made as a result of the CAG's comments.

### IAASB Interaction with the IAASB CAG

6. This Report Back serves as the final update to the CAG Representatives on this project. There are no issues being raised at this time, as ISA 720 (Revised) has now been finalized.

### Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Updated Agenda Item 2-D of the December 2014 IAASB Meeting – ISA 720 (Revised)<sup>3</sup> [http://www.ifac.org/sites/default/files/meetings/files/UPDATED-Approved-IAASB\\_Agenda\\_Item\\_2-D-ISA\\_720-Marked2.pdf](http://www.ifac.org/sites/default/files/meetings/files/UPDATED-Approved-IAASB_Agenda_Item_2-D-ISA_720-Marked2.pdf)

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<sup>3</sup> [Agenda Item 2-C was updated during the December 1–5, 2014 IAASB meeting to reflect in marked text changes based on decisions taken at the meeting. Reference to the updated agenda item is included here for information purposes only and is not the final pronouncement. Interested parties are discouraged from distributing, translating or using the updated agenda item for any purpose. They should await the release of the final pronouncement, which may contain minor modifications when compared to the updated agenda item. The final pronouncement is that approved by the IAASB and published by IFAC after the PIOB has confirmed that due process was followed in its development. It will be available at [www.ifac.org/auditing-assurance/publications-resources](http://www.ifac.org/auditing-assurance/publications-resources).]

## Appendix 1

### Project History

**Project:** Proposed Revised ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*

#### Summary

	CAG Meeting/ Teleconference	IAASB Meeting
Project Commencement	March 2010	December 2009
Development of Proposed International Standard (up to Exposure)	March 2010 September 2010 March 2011 September 2011 - March 2012 (project update)	March 2010 September 2010 March 2011 September 2011 December 2011 -
Consideration of Comments Received on Exposure	September 2012 September 2013 March 2014	September 2012 December 2013 March 2014
Consideration of Comments Received on Re-Exposure	September 2014	September 2014
Final Approval of Proposed Pronouncement	November 2014 March 2015 (Report Back)	October 2014 December 2014

#### CAG Discussions: Detailed References

<b>Project Commencement</b>	<u>March 2010</u> See IAASB CAG meeting material: (in Agenda Item N-1 of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/5258_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5258_0.pdf</a> See CAG meeting minutes (in Agenda Item N of the following material): <a href="http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf</a>
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	<p>See report back on March 2010 CAG meeting (in paragraph 5 of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf</a></p>
<b>Development of Proposed International Standard (Up to Exposure)</b>	<p><u>March 2010</u></p> <p>See IAASB CAG meeting material: (in Agenda Item N-2 of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item N of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5882_0.pdf</a></p> <p>See report back on March 2010 CAG meeting (in paragraph 5 of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf</a></p> <p><u>September 2010</u></p> <p>See IAASB CAG meeting material: <a href="http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/5664_0.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item M of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/6186_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/6186_0.pdf</a></p> <p>See report back on September 2010 CAG meeting (in paragraph 6 of the following): <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6094">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6094</a></p> <p><u>March 2011</u></p> <p>See IAASB CAG meeting material: (in Agenda Item O of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/6094_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/6094_0.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item O of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemA-Draft-March-2011-Public-Minutes-Marked-v1-03.pdf">http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemA-Draft-March-2011-Public-Minutes-Marked-v1-03.pdf</a></p> <p>See report back on March 2011 CAG meeting (in paragraph 5 of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemG-ISA720-V1-06.pdf">http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemG-ISA720-V1-06.pdf</a></p> <p><u>September 2011</u></p> <p>See IAASB CAG meeting material: (in Agenda Item F of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemG-ISA720-V1-06.pdf">http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemG-ISA720-V1-06.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item F of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-Agenda Item A-Draft September 2011 Public Minutes-Marked-v3.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-Agenda Item A-Draft September 2011 Public Minutes-Marked-v3.pdf</a></p>



	<p><u>March 2012</u></p> <p>See IAASB CAG meeting material: (in Agenda Item E6 of the following):  <a href="http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-AgendaItem_E6-Project_Updates-v2.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-AgendaItem_E6-Project_Updates-v2.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item E of the following):  <a href="http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_Draft_March%202012_Public%20Minutes-final-marked.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_Draft_March%202012_Public%20Minutes-final-marked.pdf</a></p>
<p><b>Consideration of Comments Received on Exposure</b></p>	<p><u>September 2012</u></p> <p>See IAASB CAG meeting material: (in Agenda Item C of the following):  <a href="http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C_ISA_720-Issues-v3.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C_ISA_720-Issues-v3.pdf</a>  <a href="http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C1_ISA_720-v3.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C1_ISA_720-v3.pdf</a>  <a href="http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C2_ISA%20720-Prop_Conseq_Conform Amend-v3.pdf">http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_C2_ISA%20720-Prop_Conseq_Conform Amend-v3.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item C of the following):  <a href="http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf">http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf</a></p> <p><u>September 2013</u></p> <p>See IAASB CAG meeting material: (in Agenda Item B of the following):  <a href="http://www.ifac.org/sites/default/files/meetings/files/20130823-IAASBCAG-Agenda_Item_B1-ISA_720_Cover-clean-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130823-IAASBCAG-Agenda_Item_B1-ISA_720_Cover-clean-final.pdf</a>  <a href="http://www.ifac.org/sites/default/files/meetings/files/20130910-IAASBCAG-Agenda_Item_B_ISA_720-final_0.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130910-IAASBCAG-Agenda_Item_B_ISA_720-final_0.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item B of the following):</p>

	<p><a href="http://www.ifac.org/meetings/new-york-usa-2">http://www.ifac.org/meetings/new-york-usa-2</a></p> <p><u>March 2014</u></p> <p>See IAASB CAG meeting material: (in Agenda Item B of the following):</p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B%20-%20ISA_720-FINAL.pdf">www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B%20-%20ISA_720-FINAL.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B-1_ISA_720-FINAL.pdf">www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B-1_ISA_720-FINAL.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B-1_ISA_720-FINAL.pdf">www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_B-1_ISA_720-FINAL.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item B of the following):</p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140314-IAASB-CAG-Agenda_Item_A-Sept_2013_Public_Meeting_Minutes_Marked_for_CAG_Comments_Final.pdf">www.ifac.org/sites/default/files/meetings/files/20140314-IAASB-CAG-Agenda_Item_A-Sept_2013_Public_Meeting_Minutes_Marked_for_CAG_Comments_Final.pdf</a></p> <p><u>September 2014</u></p> <p>See IAASB CAG meeting material: (in Agenda Item J of the following):</p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_J-ISA_720-Report_Back_Cover-final.pdf">www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_J-ISA_720-Report_Back_Cover-final.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140909-IAASB-CAG-Agenda_Item_J-1-Issues-Final.pdf">www.ifac.org/sites/default/files/meetings/files/20140909-IAASB-CAG-Agenda_Item_J-1-Issues-Final.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_J.2_Proposed-ISA-720-April-2014_ED-final.pdf">www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_J.2_Proposed-ISA-720-April-2014_ED-final.pdf</a></p> <p>See Agenda Item A for the September 2014 CAG meeting minutes (in Agenda Item J of the following):</p> <p><a href="http://www.ifac.org/auditing-assurance/cag/meetings">www.ifac.org/auditing-assurance/cag/meetings</a></p> <p><u>November 2014</u></p> <p>See IAASB CAG meeting material: (in Agenda Item A and A.1 of the following):</p> <p><a href="http://www.ifac.org/meetings/cag-teleconference-call-november-24-2014">www.ifac.org/meetings/cag-teleconference-call-november-24-2014</a></p> <p>See report back on November 2014 CAG teleconference in paragraph 4 of this paper.</p>
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