

PROPOSED CONFORMING AND CONSEQUENTIAL AMENDMENTS TO OTHER ISAs

Note to IAASB

This paper includes extracts of extant standards with marked changes showing the proposed conforming and consequential changes for proposed ISA 720 (Revised). Proposed changes resulting from the IAASB's discussion on Monday have been highlighted. To avoid confusion, the use of highlights to show proposed changes to the standards arising from the Auditor Reporting exposure draft^[1] and those proposed in the Disclosures papers (see Agenda Item 3-B) has not been made in this updated version. The footnote numbering in this document does not necessarily correlate with the footnotes as currently included in the extant ISAs.

ISA 210, Agreeing the Terms of Audit Engagements

Appendix 1

Example of an Audit Engagement Letter

...

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

In addition, we will request that management provide us with information about the document(s) that comprise the entity's [annual report],¹ the planned timing of the issuance of these documents, as well as providing us with the final version of these documents as soon as they are available and, if possible, prior to the date of our auditor's report.]

...

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report including, if applicable, the reporting requirements regarding other information in accordance with ISA 720 (Revised).]¹

The form and content of our report may need to be amended in the light of our audit findings.

^[1] See the IAASB's July 2013 Exposure Draft, *Reporting on Audited Financial Statements; Proposed New and Revised International Standards on Auditing (ISAs)*

¹ ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

ISA 230, *Audit Documentation*

[NB – This paragraph has been included for reference purposes only]

16. In circumstances other than those envisaged in paragraph 13 where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (Ref: Para. A24)
- (a) The specific reasons for making them; and
 - (b) When and by whom they were made and reviewed.

A24. ~~An e~~Examples of ~~a~~circumstances in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed include:

- ~~is the need to~~When clarifying existing audit documentation ~~in response to~~arising from comments received during monitoring inspections performed by internal or external parties.
- When, in accordance with ISA 720 (Revised),² the auditor is required to retain in the audit documentation the final version of other information received after the date of the auditor's report.

...

Appendix
(Ref: Para. 1)

Specific Audit Documentation Requirements in Other ISAs

This appendix identifies paragraphs in other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009 that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

...

- ISA 610 (Revised), *Using the Work of Internal Auditors* – paragraph 24
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraph 24

ISA 260, *Communication with Those Charged with Governance*

Matters to Be Communicated

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

A13. Other planning matters that it may be appropriate to discuss with those charged with governance include:

...

- The responses of those charged with governance to previous communications with the auditor.

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

- Details of the documents comprising the other information (as defined in ISA 720 (Revised)) that the entity intends to issue and when the documents are expected to be made available to the auditor.

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

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

Appendix 1

This appendix identifies paragraphs in ISQC 1³ and other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009 that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

...

- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* – paragraphs 15(b) and 16(a)~~10, 13 and 16~~

ISA 450, Evaluation of Misstatements Identified during the Audit

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 10–11)

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

- ...
- Affects other information that will be communicated in the annual report documents containing the audited financial statements (for example, information to be included in a “Management Discussion and Analysis” or an “Operating and Financial Review”) that may reasonably be expected to influence the economic decisions of the users of the financial statements. ISA 720 (Revised)⁴ deals with the auditor’s responsibilities relating to consideration of other information, on which the auditor has no obligation to report, in documents containing audited financial statements.

³ ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

⁴ ISA 720, The Auditor's Responsibilities Relating to Other Information

ISA 500, *Audit Evidence*

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:

- (c) Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other types of information.

ISA 560, *Subsequent Events*

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities relating to subsequent events in an audit of financial statements. It does not deal with matters relating to the auditor’s responsibilities for other information obtained after the date of the auditor’s report, which are addressed in ISA 720 (Revised).⁵ However, such other information may bring to light a subsequent event that is within the scope of this ISA. (Ref: Para. A1)

...

[NB – This paragraph has been included for reference purposes only]

10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report. However, if, after the date of the auditor’s report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall: (Ref: Para. A11)
 - (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the financial statements need amendment and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.

⁵ ISA 720, *The Auditor’s Responsibilities Relating to Other Information*

Facts Which Become Known to the Auditor after the Date of the Auditor’s Report but before the Date the Financial Statements Are Issued

Implications of Other Information Obtained after the Date of the Auditor’s Report (Ref: Para. 10)

A10A. The auditor’s obligations regarding other information received after the date of the auditor’s report are addressed in ISA 720 (Revised). –While the auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report, ISA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor’s report.

...

[NB – This paragraph has been included for reference purposes only]

14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall:

- (a) Discuss the matter with management and, where appropriate, those charged with governance;
- (b) Determine whether the financial statements need amendment; and, if so,
- (c) Inquire how management intends to address the matter in the financial statements.

Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

Implications of Other Information Received after the Financial Statements Have Been Issued (Ref: Para. 14)

A16A. The auditor’s obligations regarding other information received after the date of the auditor’s report are addressed in ISA 720 (Revised). 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 other information obtained after the date of the auditor’s report.

[Proposed] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

[Note to IAASB – the conforming amendment below is based on Proposed ISA 700 (Revised)]

A65. The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities ~~to read that information to identify material inconsistencies with the audited financial statements. The auditor’s responsibilities with respect to unaudited supplementary information are~~

consistent with those described in proposed ISA 720 (Revised).⁶

ISA 810, Engagements to Report on Summary Financial Statements

Other Information in Documents Containing Summary Financial Statements

24. The auditor shall read and consider the other information, other than the summary financial statements, included in a document containing the summary financial statements and related auditor's report to consider whether there is identify an apparent material inconsistencies between the other information and, if any, with the summary financial statements. If, ~~on reading the other information,~~ the auditor identifies ~~an apparent~~ material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If, ~~on reading the other information,~~ the auditor becomes aware of ~~an apparent material misstatement of fact~~ that the other information needs to be revised fact, the auditor shall discuss the matter with management. (Ref: Para. A19)

- A19. ISA 720 (Revised)⁷ contains requirements and guidance ~~relating regarding the auditor's responsibilities relating to reading other information in a financial statement audit engagement included in a document containing the audited financial statements and related auditor's report, and responding to material inconsistencies and material misstatements of fact.~~ Adapted as necessary in the circumstances, they may be helpful in applying the requirement in paragraph 24.

Glossary of Terms

~~*Annual report – A document issued by an entity, ordinarily on an annual basis, which includes its financial statements together with the auditor's report thereon.~~ A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or by custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters. The content of an annual report, and the name by which it is known, may vary by law, regulation or custom across jurisdictions.

Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other types of information

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

⁶ ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

⁷ ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

*Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (for example, because it omits or obscures information necessary for a proper understanding of a matter). Misstatements of the other information are material if they could reasonably be expected to influence the economic decisions of users, recognizing that the other information is only part of the overall information available to users.

~~*Other information—Financial and non-financial information (other than the financial statements and the auditor’s report thereon) which is included in an entity’s annual report, either by law, regulation, or custom, in a document containing audited financial statements and the auditor’s report thereon.~~