

ISA 720 – Other Information

Cedric Gelard – ISA 720 Task
Force Chairman

September 2014 IAASB Meeting

Agenda Item 7

Overview

- Summary of Responses to ED-720 (2014)
- Work Effort
- Definition of a Misstatement
- Implications of Other Information Obtained After the Date of the Auditor's Report

Overview

- Overall, respondents supported the IAASB's proposals in ED-720 (2014):
 - Support for the IAASB's intentions in revising the ISA and the manner in which those intentions had been expressed in the ED
 - Some areas for improvement, clarification, and strengthening
 - Overall, concerns were generally on detailed drafting points and requests for further requirements and guidance to clarify specific aspects of the ED, but were much more supportive than on ED-720 (2012)

Comments on Key Work Effort Paragraphs

- Many respondents were supportive of the proposed work effort and noted that the proposals were an improvement over ED-720 (2012)
- The addition of a requirement to perform procedures for consistency with the financial statements (see paragraph 15 of ED-720 (2014)) was broadly supported
 - Some did not like the term “limited” or had other concerns with aspects of the requirement

Comments on Key Work Effort Paragraphs

- Some comments on 14(b):
 - Some want mandatory procedures
- More concerns about paragraph 14(c):
 - May be difficult to distinguish from paragraph 14(b)
 - “Remain alert” seen to be unclear or may be wrongly interpreted as being more onerous than is intended

Task Force Recommendations

- Separation of old paragraph 14(c) from other work effort paragraphs – now paragraph 15A
- Removal of the term “limited procedures” from paragraph 14(a)
- Conditional requirement for paragraph 14(b)
- Paragraph 15A amended to avoid perceptions of overlap between new 15A and 14(b)

Matter for IAASB Consideration

1. The IAASB is asked to share its views on the Task Force's recommendations in paragraphs 17–18 to clarify the auditor's work effort on the other information, including whether such changes are sufficiently responsive to comments received on exposure.

Comments on the Definition of Misstatement of the OI

- Many expressions of support, with a minority expressing concerns, such as:
 - Disagreement with inclusion of the concept of materiality in the definition: seen to be financial statement focused.
 - Lack of criteria for assessing omission or obscurity, perception that the auditor needs to do a “completeness” check
- Some concerns about “recognizing that the other information is only part of the overall information available to users”

Task Force Recommendations

- Use language drawn from ISA 320 to describe materiality, rather than trying to define it, and providing application material that supports this approach
- Clarify that the auditor is not responsible for performing a “completeness” check on the other information
- Remove the phrase “recognizing that the other information is only part of the overall information available to users” in response to concerns expressed on exposure.

Matter for IAASB Consideration

2. The IAASB is asked to share its views on the proposed definition of a “misstatement of the other information” and the associated application material discussed in paragraphs 29–30, including whether such changes are sufficiently responsive to comments received on exposure.

Comments on OI Obtained After the Date of the Auditor's Report

- A great deal of support for ED-720 (2014) position to require the same work effort on such OI, but some significant stakeholders wanted transparency over the work done, via the auditor's report, or greater specificity particularly in the requirement to "take appropriate action"
- Other suggestions included that all other information should be obtained before issuance of the auditor's report or that there should be no responsibility for such OI

Task Force Recommendations

- Clarify and strengthen the requirement and application material to take appropriate action if a material misstatement exists in such other information (paragraph 19(b) and A44–A45)
- Require a written representation regarding the provision of such other information
- Listing the other information expected to be obtained after the date of the auditor's report and the expected work effort on such other information

Matters for IAASB Consideration

3. The IAASB is asked to share its views on the Task Force's proposal to clarify the requirement to "take appropriate action" when the auditor determines that a material misstatement exists in other information obtained after the date of the auditor's report (see paragraph 38).

Matters for IAASB Consideration

4. The IAASB is asked to share its views on the Task Force's other proposed responses to the comments received on such other information (see paragraph 37), specifically the proposals to:
 - Require the auditor to obtain written representations from management regarding the provision of such other information; and
 - Require the auditor to list the other information expected to be received after the date of the auditor's report and the expected work effort on such other information within the auditor's report.



www.iaasb.org
