

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

This summary provides an overview of the International Auditing and Assurance Standards Board[®] (IAASB[®])'s [International Standard on Auditing[™] \(ISA\) 720 \(Revised\)](#) and related conforming amendments.

Project Objective:

The objective of the IAASB's revision of ISA 720 was to ensure that the ISA continues to be capable of enhancing the credibility of financial statements through specifying appropriate responsibilities of the auditor relating to the range of other information in documents containing audited financial information, taking account of how such information is disseminated.

Other information is financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report.

Effective Date:

Audits of financial statements for periods ending on or after December 15, 2016

For More Information:

Visit the IAASB's website at www.iaasb.org.

Why did the IAASB see the need to revise ISA 720?

The IAASB wanted to ensure that ISA 720 appropriately reflected the context of today's financial reporting environment, thereby promoting further alignment of users' expectations and auditors' responsibilities.

The IAASB also sought to serve the public interest by ensuring that there is an appropriate auditor response in the event the other information could undermine the credibility of the audited financial statements and the auditor's report.

What is different in today's financial reporting environment?

Over recent years there have been significant developments in corporate reporting, particularly in relation to the amount of detail included in entities' annual reports, as well as the importance ascribed by users to the information in annual reports beyond the audited financial statements and the auditor's report thereon.

In particular, annual reports now include more narrative and qualitative information than in the past, such as descriptions of the entity's business model, risk exposures and uncertainties. Users have been attaching increasingly more importance to such information as they look for ways to better inform their analysis and understanding of the more complex areas in the financial statements, including disclosures.

There has also been a movement towards exploring ways in which to better integrate information in financial statements, Management's Discussion and Analysis (MD&A), and other parts of an entity's public reporting package.

Entities also have been making increasing and more diverse use of documents other than the annual report (whether pursuant to law or regulation or voluntarily) for their external communication purposes in connection with the issuance of their audited financial statements. For example, in many jurisdictions entities are presenting information such as management reports, or statements on corporate governance or on internal control and risk assessment, in documents *accompanying* the audited financial statements, instead of in documents *containing* the financial statements.

In undertaking this project, the IAASB sought to:

- Improve audit quality by bringing greater consistency around the world regarding auditors' consideration of the diverse range of other information;
- Increase the value of the audit, without changing its scope, in a cost beneficial manner, through enhancing the auditor's responsibilities with respect to the other information; and
- Improve transparency by requiring auditors to articulate in their reports their responsibilities under the ISA 720 (Revised) and the outcome of their work relative to the other information.

What are the main changes in relation to the scope and auditor's work effort?

The main changes to the ISA are:

- Broadening and clarifying the scope of other information by linking it to the concept of an “annual report”;
- Enhancing the auditor's work effort with respect to other information; and
- Providing transparency by requiring reporting on the auditor's work relating to other information.

Importantly, the IAASB has retained the concept in extant ISA 720 that other information is not audited (i.e., that auditors do not obtain assurance on the other information).

The scope of other information

ISA 720 (Revised) applies to “other information.” **Other information** is financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. An **annual report** is 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 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.

ISA 720 (Revised) does not apply to preliminary announcements of financial information or securities offering documents, including prospectuses. Application material in the ISA explains common items included or excluded from the definition of an annual report to aid auditors in applying the definitions in practice.

The auditor's work effort with respect to other information

The auditor is required to **read the other information** and:

- **Consider** whether there is a material inconsistency between the other information and **the financial statements**; and
- **Consider** whether there is a material inconsistency between the other information and **the auditor's knowledge obtained in the audit**, in the context of audit evidence obtained and conclusions reached in the audit.

As the basis the consideration of whether there is a material inconsistency between the other information and the financial statements, the auditor is required to compare selected amounts or other items in the other information with such amounts or other items in the financial statements.

The auditor is also required, while reading the other information, 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.

Consistent with extant ISA 720, the auditor's work effort on other information applies regardless of whether the other information is obtained prior to or after the date of the auditor's report.

What will be communicated in the auditor’s report about other information?

ISA 720 (Revised) includes illustrative examples to show how reporting on other information may be done in various circumstances.

The auditor’s report will always include a separate Other Information section when the auditor has obtained some or all of the other information as of the date of the auditor’s report.

For audits of financial statements of listed entities, an Other Information section will also be included if the auditor expects to obtain other information after the date of the auditor’s report.

Using the heading “Other Information” or other appropriate heading, the auditor’s report will include:

- A statement that management is responsible for the other information.
- Identification of the other information obtained prior to the date of the auditor’s report. In the case of a listed entity, the auditor is also required to identify any other information expected to be obtained after the date of the auditor’s report.
- A statement that the auditor’s opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon.
- A description of the auditor’s responsibilities relating to reading, considering and reporting on other information as required by ISA 720 (Revised).
- When other information has been obtained prior to the date of the auditor’s report, either :
 - A statement that the auditor has nothing to report; or
 - If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

Note: The following is an example of reporting when the auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.

Other Information [or another title if appropriate, such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

Management is responsible for the other information. The other information comprises the [information included in the X report,⁺ but does not include the financial statements and our auditor’s report thereon.]

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether 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 conclude 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.

⁺ 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.