

## BASIS FOR CONCLUSIONS CANADIAN AUDITING STANDARD (CAS) 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

September 2009

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Auditing Standard 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

### Background

In December 2006, the International Auditing and Assurance Standards Board (IAASB) issued its Exposure Draft of International Auditing Standard (ISA) 720 (Redrafted), *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* (ED-ISA 720). The IAASB approved final ISA 720 in September 2007 subject to confirmation by the Public Interest Oversight Board (PIOB) that due process was followed. This confirmation was received in December 2007.

In February 2007, the AASB issued its Exposure Draft to adopt proposed ISA 720 as CAS 720 (ED-CAS 720). There is no existing Handbook Section comparable to CAS 720. There were 8 respondents to ED-CAS 720 (identified below).

The AASB approved CAS 720 in June 2008. The Auditing and Assurance Standards Oversight Council reviewed due process followed by the AASB in the development of this CAS prior to its issuance in the CICA Handbook – Assurance.

### Purpose of this Basis for Conclusions

This Basis for Conclusions has been prepared to make Canadian stakeholders aware of the following.

- (a) A Basis for Conclusions prepared by IAASB staff for ISA 720 is available on the IAASB web site, and provides information on how the IAASB dealt with comments received on significant matters in response to the ED-ISA 720.
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its ED-CAS 720 is also available. This information is set out below.

### Significant Matters

#### AASB's Consideration of Amendments to ISA Wording

1. CAS 720 contains no amendment to the wording in ISA 720.  
*Amendment to Introduction*
2. ED-CAS 720 included a proposed amendment to delete the sentence "This ISA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements such as those used in securities offerings." The reason for this proposed amendment was that Canadian standards, such as Section 7110, AUDITOR INVOLVEMENT WITH OFFERING DOCUMENTS OF PUBLIC AND PRIVATE ENTITIES, already provides requirements and other guidance relevant to securities offerings. Such standards will continue to apply after the CASs come into effect. No respondent raised an objection to the proposed amendment.
3. In approving CAS 720, the AASB reconsidered the above proposed amendment and concluded that no amendment should be made for reasons stated in the Other Matters section below.

### Other Matters

#### *Retaining Material in Section 7500*

4. All respondents to ED-CAS 720 indicated the importance of retaining some or all of the material in Section 7500, AUDITOR ASSOCIATION WITH ANNUAL REPORTS, INTERIM REPORTS AND OTHER PUBLIC DOCUMENTS.
5. The AASB noted the potential overlap of material in Section 7500 and CAS 720. In approving CAS 720, the AASB concluded that CAS 720 focuses on matters that apply when performing the audit of financial statements. That is, the auditor's focus in CAS 720 is on assessing whether other information indicates that there may be a problem with the audited financial statements that may affect the auditor's report thereon. On the other hand, Section 7500 is an association standard that deals with the auditor's responsibilities arising subsequent to the audit when the auditor consents to the use of the auditor's report in connection with certain documents. Accordingly, the AASB has undertaken a project to redraft Section 7500 to make its premise clearer. Also, because these standards have a different purpose, the AASB concluded that it would not be appropriate to include a reference from CAS 720 to Section 7500.

*Reference to Section 7110*

6. The AASB also concluded that a reference in CAS 720 to Section 7110 would not be appropriate. Section 7110 deals with the auditor's responsibilities when the auditor is involved with an entity's offering documents and is not directly related to the financial statement audit.

**List of Respondents to ED-CAS 720**

BDO Dunwoody LLP

Deloitte & Touche LLP

KPMG LLP

Institute of Chartered Accountants of British Columbia

Office of the Auditor General of Canada

Ordre des comptables agréés du Québec

Provincial Auditor of Saskatchewan

Serge Huot

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