

KAEG-I [INTL VERSION 2024]: ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information

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

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

(Effective for audits of financial statements for periods ending on or after December 15, 2016)

Introduction, Objective and Definitions

International Standards on Auditing: ISA 720.01-12

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. An entity's annual report may be a single document or a combination of documents that serve the same purpose.
2. This ISA is written in the context of an audit of financial statements by an independent auditor. Accordingly, the objectives of the auditor in this ISA are to be understood in the context of the overall objectives of the auditor as stated in paragraph 11 of ISA 200.¹ The requirements in the ISAs are designed to enable the auditor to achieve the objectives specified in the ISAs, and thereby the overall objectives of the auditor. The auditor's opinion on the financial statements does not cover the other information, nor does this ISA require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.
3. This ISA requires the auditor to read and consider the other information because other information that is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit may indicate that there is a material misstatement of the financial statements or that a material misstatement of the other information exists, either of which may undermine the credibility of the financial statements and the auditor's report thereon. Such material misstatements may also inappropriately influence the economic decisions of the users for whom the auditor's report is prepared.
4. This ISA may also assist the auditor in complying with relevant ethical requirements² that require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information provided recklessly, or omits or obscures required information where such omission or obscurity would be misleading.

¹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

² International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), paragraph R111.2

5. Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail, about amounts or other items in the financial statements,

and other amounts or other items about which the auditor has obtained knowledge in the audit. Other information may also include other matters.

6. The auditor's responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor's report.

7. This ISA does not apply to:

- (a) Preliminary announcements of financial information; or
- (b) Securities offering documents, including prospectuses.

8. The auditor's responsibilities under this ISA do not constitute an assurance engagement on other information or impose an obligation on the auditor to obtain assurance about the other information.

9. Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this ISA.

Effective Date

10. This ISA is effective for audits of financial statements for periods ending on or after December 15, 2016.

Objectives

11. The objectives of the auditor, having read the other information, are:

- (a) To consider whether there is a material inconsistency between the other information and the financial statements;
- (b) To consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit;
- (c) To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated; and
- (d) To report in accordance with this ISA.

Definitions

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

- (a) Annual report - 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. 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. (Ref: Para. A1 - A5)
- (b) Misstatement of the other information - A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or

obscures information necessary for a proper understanding of a matter disclosed in the other information). (Ref: Para. A6 - A7)

(c) Other information - Financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. (Ref: Para. A8 - A10)

ISA Application and Other Explanatory Material: ISA 720.A1-A10

Application and Other Explanatory Material

Definitions

Annual Report (Ref: Para. 12(a))

A1. Law, regulation or custom may define the content of an annual report, and the name by which it is to be referred, for entities in a particular jurisdiction; however, the content and the name may vary within a jurisdiction and from one jurisdiction to another.

A2. An annual report is typically prepared on an annual basis. However, when the financial statements being audited are prepared for a period less than or more than a year, an annual report may also be prepared that covers the same period as the financial statements.

A3. In some cases, an entity's annual report may be a single document and referred to by the title "annual report" or by some other title. In other cases, law, regulation or custom may require the entity to report to owners (or similar stakeholders) information on the entity's operations and the entity's financial results and financial position as set out in the financial statements (i.e., an annual report) by way of a single document, or by way of two or more separate documents that in combination serve the same purpose. For example, depending on law, regulation or custom in a particular jurisdiction, one or more of the following documents may form part of the annual report:

- Management report, management commentary, or operating and financial review or similar reports by those charged with governance (for example, a directors' report).
- Chairman's statement.
- Corporate governance statement.
- Internal control and risk assessment reports.

A4. An annual report may be made available to users in printed form, or electronically, including on the entity's website. A document (or combination of documents) may meet the definition of an annual report, irrespective of the manner in which it is made available to users.

A5. An annual report is different in nature, purpose and content from other reports, such as a report prepared to meet the information needs of a specific stakeholder group or a report prepared to comply with a specific regulatory reporting objective (even when such a report is required to be publicly available). Examples of reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), and that, therefore, are not other information within the scope of this ISA, include:

- Separate industry or regulatory reports (for example, capital adequacy reports), such as may be prepared in the banking, insurance, and pension industries.

- Corporate social responsibility reports.
- Sustainability reports.
- Diversity and equal opportunity reports.
- Product responsibility reports.
- Labor practices and working conditions reports.
- Human rights reports.

Misstatement of the Other Information (Ref: Para. 12(b))

A6. When a particular matter is disclosed in the other information, the other information may omit or obscure information that is necessary for a proper understanding of that matter. For example, if the other information purports to address the key performance indicators used by management, then omission of a key performance indicator used by management could indicate that the other information is misleading.

A7. The concept of materiality may be discussed in a framework applicable to the other information and, if so, such a framework may provide a frame of reference for the auditor in making judgments about materiality under this ISA. In many cases, however, there may be no applicable framework that includes a discussion of the concept of materiality as it applies to the other information. In such circumstances, the following characteristics provide the auditor with a frame of reference in determining if a misstatement of the other information is material:

- Materiality is considered in the context of the common information needs of users as a group. The users of the other information are expected to be the same as the users of the financial statements as such users may be expected to read the other information to provide context to the financial statements.
- Judgments about materiality take into account the specific circumstances of the misstatement, considering whether users would be influenced by the effect of the uncorrected misstatement. Not all misstatements will influence the economic decisions of users.
- Judgments about materiality involve both qualitative and quantitative considerations. Accordingly, such judgments may take into account the nature or magnitude of the items that the other information addresses in the context of the entity's annual report.

Other Information (Ref: Para. 12(c))

A8. Appendix 1 contains examples of amounts or other items that may be included in the other information.

A9. In some cases, the applicable financial reporting framework may require specific disclosures but permit them to be located outside of the financial statements.⁵ As such disclosures are required by the applicable financial reporting framework, they form part of the financial statements. Accordingly, they do not constitute other information for the purpose of this ISA.

⁵ For example, International Financial Reporting Standards (IFRS) 7, *Financial Instruments: Disclosures*, permits certain disclosures required by the IFRSs to either be given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time.

A10. eXtensible Business Reporting Language (XBRL) tags do not represent other information as defined in this ISA.

How do we comply with the Standards?

[ISA | KAEGHDWC]

1 Address our responsibilities relating to 'other information' [ISA | 3957]

What do we do?

Address our responsibilities relating to 'other information'.

Why do we do this?

Our responsibilities under this chapter do not constitute an assurance engagement on 'other information' or impose an obligation to obtain assurance about the other information.

However, the other information may be relevant to our audit or to the continuing propriety of the auditor's report. Other information that is materially inconsistent with the financial statements or our knowledge obtained in the audit may indicate an issue with the financial statements or the other information, either of which may undermine the credibility of the financial statements and the auditor's report thereon.

This chapter may also help us avoid being associated with documents that contain statements or information that are materially false or misleading, furnished recklessly, or omits or obscures required information.

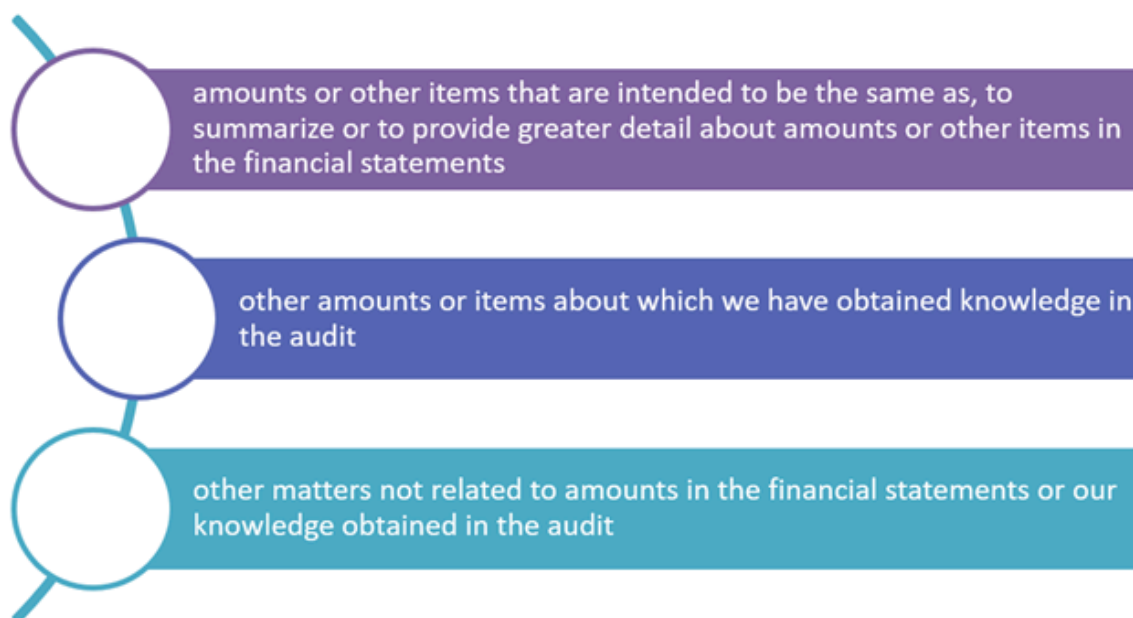
Execute the Audit

[What is 'other information'?](#) [ISA | 3957.6112]

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

[What might 'other information' consist of?](#) [ISA | 3957.6119]

'Other information' may consist of:



What are some examples of 'other information'? [ISA | 3957.6120]

The following are examples of amounts and other items that may be included in 'other information'. This list is not intended to be exhaustive.

Amounts	Other items
<ul style="list-style-type: none"> items contained in key financial summaries or highlights, such as net income, earnings per share, dividends, sales and other operating revenues and purchases and operating expenses selected operating data, such as income from continuing operations by major operating area or sales by geographical segment or product line special items, such as asset dispositions, litigation provisions, asset impairments, tax adjustments, environmental remediation provisions and restructuring and reorganization expenses liquidity and capital resource information, such as cash, cash 	<ul style="list-style-type: none"> a report by management or those charged with governance on operations (e.g. Management's Discussion and Analysis of results or a directors' report) explanations of critical accounting estimates and related assumptions identification of related parties and descriptions of transactions with them articulation of the entity's policies or approach to manage commodity, foreign exchange or interest rate risks, such as through the use of forward contracts, interest rate swaps, or other financial instruments descriptions of the nature of off-balance sheet arrangements descriptions of guarantees, indemnifications, contractual obligations, litigation or environmental liability cases and other contingencies, including management's qualitative assessments of the entity's related exposures

<p>equivalents and marketable securities, dividends and debt, capital lease and minority interest obligations</p> <ul style="list-style-type: none"> planned or incurred capital expenditures by segment or division amounts involved in, and related financial effects of, off-balance sheet arrangements amounts involved in guarantees, contractual obligations, legal or environmental claims and other contingencies financial measures or ratios, such as gross margin, return on average capital employed, return on average shareholders' equity, current ratio, interest coverage ratio and debt ratio selected quarterly data. 	<ul style="list-style-type: none"> descriptions of changes in legal or regulatory requirements, such as new tax or environmental regulations, that have materially impacted the entity's operations or fiscal position, or will have a material impact on the entity's future financial prospects management's qualitative assessments of the impacts of new financial reporting standards that have come into effect during the period, or will come into effect in the following period, on the entity's financial results, financial position and cash flows descriptions of the business environment and outlook overview of strategy descriptions of trends in market prices of key commodities or raw materials contrasts of supply, demand and regulatory circumstances between geographic regions explanations of specific factors influencing the entity's profitability in specific segments. names of officers and directors employment data non-GAAP information chairman's statement corporate governance statement management's internal control and risk assessment reports
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What does 'other information' not consist of? [ISA | 3957.6121]

The following are examples of items that are not considered other information:

- information contained on the entity's website, as websites are a means of distributing information and are not, themselves, annual reports;
- information required by a financial reporting framework, as this forms part of the financial statements; and
- eXtensible Business Reporting Language (XBRL) tags.

What is an annual report? [ISA | 3957.6127]

An annual report is a single document, or combination of documents that serve the same purpose, typically prepared on an annual basis by management or those charged with governance that contains, accompanies or incorporates by reference, the financial statements and the auditor's report.

Its format and content, and the name by which it is to be referred, may vary in accordance with laws, regulations or customs.

Its purpose 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.

Annual reports often include 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.

[Are all documents named 'annual report' annual reports for purposes of this chapter?](#) [ISA | 3957.9376]

Not necessarily. Though a document may be referred to as an annual report, it may not meet the definition of an annual report for purposes of this chapter.

In a similar fashion, a document or documents may meet the definition of an annual report per this chapter, even though the entity may not refer to it/them as an annual report.

[Can an annual report cover a period of less than or more than one year?](#) [ISA | 3957.6129]

Yes, an annual report can cover a period of less than or more than one year.

An annual report is typically prepared on an annual basis, but if the financial statements are prepared for a period of less than a year or more than a year, then the annual report may cover the same period of time.

[What form can an annual report take?](#) [ISA | 3957.6130]

An annual report may be made available to users in printed form, or electronically, including on the entity's website.

A document (or combination of documents) may meet the definition of an annual report irrespective of the manner in which it is made available to users.

[What documents are typically not considered a part of the 'annual report'?](#) [ISA | 3957.6134]

Examples of reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), and that, therefore, are not other information within the scope of this chapter, include:

- Separate industry or regulatory reports (for example, capital adequacy reports), such as those prepared in the banking, insurance, and pension industries
- Corporate social responsibility reports
- Sustainability reports
- Diversity and equal opportunity reports
- Product responsibility reports
- Labor practices and working conditions reports
- Human rights reports
- Press releases or preliminary announcements of financial information
- Analyst briefings
- Securities offering documents, including prospectuses
- Documents that, at the date of the auditor's report, the entity is considering developing and may be part of the entity's annual report (for example, a voluntary report to stakeholders) but management is unable to confirm to us the purpose or timing of such a document.

[When is the timing of release of the document\(s\) that are part of an annual report?](#) [ISA | 3957.9382]

It depends.

In some cases, the entity's annual report may be a single document to be released, in accordance with law or regulation or the entity's reporting practice, shortly after the entity's financial reporting period such that it is available to us prior to the date of the auditor's report. In other cases, such a document may not be required to be released until a later time, or at a time of the entity's choosing.

There may also be circumstances when the entity's annual report is a combination of documents, each subject to different requirements or reporting practice by the entity with respect to the timing of their release.

Do we provide an opinion on 'other information'? [ISA | 3957.9383]

No. Our opinion on the financial statements does not cover the other information, nor does this chapter indicate that we obtain audit evidence beyond that is necessary to form an opinion on the financial statements.

Does law or regulation impose additional obligations in relation to other information? [ISA | 3957.9389]

Maybe. Law or regulation may impose additional obligations on us in relation to other information that are beyond the scope of this chapter.

How do we address our responsibilities relating to 'other information'? [ISA | 3957.9390]

We address our responsibilities relating to 'other information' by performing the following activities:

- [Identify and obtain 'other information'](#);
- [Take action when documents are not received before issuance](#);
- [Read and consider the other information](#);
- [Group Audit | Consider how to address specific information related to components in the 'other information'](#);
- [Respond when we identify apparent material inconsistencies or other information appears to be materially misstated AND conclude](#);
- [Respond when we conclude the other information needs to be revised](#);
- [Respond when we conclude the financial statements need to be revised](#);
- [Respond when we conclude our understanding of the entity needs to be updated](#);
- [Report on the other information](#);
- [Document the procedures performed over other information](#).

Obtaining the Other Information

International Standards on Auditing: ISA 720.13

Requirements

Obtaining the Other Information

13. The auditor shall: (Ref: Para. A11 - A22)

- (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s);

(b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document(s) comprising the annual report; and

(c) When some or all of the document(s) determined in (a) will not be available until after the date of the auditor's report, request management to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this ISA. (Ref: Para. A22)

ISA Application and Other Explanatory Material: ISA 720.A11-A22

Obtaining the Other Information (Ref: Para. 13)

A11. Determining the document(s) that is or comprises the annual report is often clear based on law, regulation or custom. In many cases, management or those charged with governance may have customarily issued a package of documents that together comprise the annual report, or may have committed to do so. In some cases, however, it may not be clear which document(s) is or comprises the annual report. In such cases, the timing and purpose of the documents (and for whom they are intended) are matters that may be relevant to the auditor's determination of which document(s) is or comprises the annual report.

A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is listed in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.

A13. Management, or those charged with governance, is responsible for preparing the annual report. The auditor may communicate with management or those charged with governance:

- The auditor's expectations in relation to obtaining the final version of the annual report (including a combination of documents that together comprise the annual report) in a timely manner prior to the date of the auditor's report such that the auditor can complete the procedures required by this ISA before the date of the auditor's report, or if that is not possible, as soon as practicable and in any case prior to the entity's issuance of such information.
- The possible implications when the other information is obtained after the date of the auditor's report.

A14. The communications referred to in paragraph A13 may be particularly appropriate for example:

- In an initial audit engagement.
- When there has been a change in management or those charged with governance.
- When other information is expected to be obtained after the date of the auditor's report.

A15. Where those charged with governance are to approve the other information prior to its issuance by the entity, the final version of such other information is the one that has been approved by those charged with governance for issuance.

A16. In some cases, the entity's annual report may be a single document to be released, in accordance with law or regulation or the entity's reporting practice, shortly after the entity's financial reporting period such that it is available to the auditor prior to the date of the auditor's report. In other cases, such a document may not be required to be released until a later time, or at a time of the entity's choosing. There may also be circumstances when the entity's annual report is a combination of documents, each subject to different requirements or reporting practice by the entity with respect to the timing of their release.

A17. There may be circumstances when, at the date of the auditor's report, the entity is considering the development of a document that may be part of the entity's annual report (for example, a voluntary report to stakeholders) but management is unable to confirm to the auditor the purpose or timing of such a document. If the auditor is unable to ascertain the purpose or timing of such a document, the document is not considered other information for purposes of this ISA.

A18. Obtaining the other information in a timely manner prior to the date of the auditor's report enables any revisions that are found to be necessary to be made to the financial statements, the auditor's report, or the other information prior to their issuance. The audit engagement letter⁶ may make reference to an agreement with management to make available to the auditor the other information in a timely manner, and if possible prior to the date of the auditor's report.

⁶ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph A24

A19. When other information is only made available to users via the entity's website, the version of the other information obtained from the entity, rather than directly from the entity's website, is the relevant document on which the auditor would perform procedures in accordance with this ISA. The auditor has no responsibility under this ISA to search for other information, including other information that may be on the entity's website, nor to perform any procedures to confirm that other information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically.

A20. The auditor is not precluded from dating or issuing the auditor's report if the auditor has not obtained some or all of the other information.

A21. When the other information is obtained after the date of the auditor's report, the auditor is not required to update the procedures performed in accordance with paragraphs 6 and 7 of ISA 560.⁷

⁷ ISA 560, *Subsequent Events*

A22. ISA 580⁸ establishes requirements and provides guidance on the use of written representations. The written representation required to be requested by paragraph 13(c) regarding other information that will be available only after the date of the auditor's report is intended to support the auditor's ability to complete the procedures required by this ISA with respect to such information. In addition, the auditor may find it useful to request other written representations, for example, that:

- Management has informed the auditor of all the documents that it expects to issue that may comprise other information;
- The financial statements and any other information obtained by the auditor prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements; and

- With regard to other information that has not been obtained by the auditor prior to the date of the auditor's report, that management intends to prepare and issue such other information and the expected timing of such issuance.

8 ISA 580, *Written Representations*

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Identify and obtain 'other information' [ISA | 7904]

What do we do?

Identify AND obtain 'other information'.

Why do we do this?

Material inconsistencies between the audited financial statements and other information can undermine the credibility of our work. We identify and obtain other information to help avoid this situation and being associated with documents that contain statements or information that are materially false or misleading, furnished recklessly or omits or obscures necessary information.

Execute the audit

[How do we identify and obtain 'other information'? \[ISA | 7904.9370\]](#)

We identify and obtain the 'other information' by performing the following procedures:

- we determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s);
- we make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document(s) comprising the annual report; and
- if some or all of the document(s) determined to be part of the annual report will not be available until after the date of the auditor's report, request management to provide a written representation that the final version of the document(s) will be provided to us when available, and prior to its issuance by the entity, such that we can complete the procedures included in this chapter ISA 720.

[How might we determine which documents comprise the annual report? \[ISA | 7904.9371\]](#)

Determining the document(s) that is or comprises the annual report is often clear based on law, regulations or custom. In many cases, management or those charged with governance may have customarily issued a package of documents that together comprise the annual report, or may have committed to do so.

If it is not clear which document(s) is or comprises the annual report, we think about the timing and purpose of the documents and for whom they are intended.

In addition, when the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is listed in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.

[How might we document our arrangement with management to obtain the other information in a timely manner?](#) [ISA | 7904.9374]

The audit engagement letter may make reference to the agreement with management to make available to us the final version of the document(s) comprising the annual report in a timely manner, and if possible, prior to the date of the auditor's report.

[How might we arrange with management to obtain the other information in a timely manner?](#) [ISA | 7904.9377]

We might arrange to obtain the other information in a timely manner by communicating with management or those charged with governance:

- our expectations in relation to obtaining the final version of the annual report (including a combination of documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report such that we can complete the procedures in this chapter before the date of the auditor's report, or if that is not possible, as soon as practicable and, in any case, prior to the entity's issuance of such information;
- the possible implications when we obtain the other information after the date of the auditor's report (e.g. the fact that if there are issues, the financial statements and/or the auditor's report might have to be re-issued).

These communications may be particularly appropriate:

- in initial audit engagements;
- when there have been changes in management or those charged with governance; or
- when other information is expected to be received after the date of the auditor's report.

[What are the benefits of obtaining the other information prior to the date of the auditor's report?](#) [ISA | 7904.9378]

Obtaining the other information in a timely manner prior to the date of the auditor's report enables any revisions that are found to be necessary to be made to the financial statements or the other information prior to their issuance.

[What is the purpose of the written representation regarding other information that will be available only after the date of the auditor's report?](#) [ISA | 7904.9380]

The written representation regarding other information that will be available only after the date of the auditor's report is intended to support our ability to complete the procedures in this chapter with respect to such information.

See the chapter on written representations ([ISA 580](#), [AU-C 580](#)) for further information on written representations.

[What other written representations may we request from management regarding the other information?](#) [ISA | 7904.9381]

In addition to the written representation indicated in this KAEG activity, we may find it useful to request other written representations, such as the following:

- That management has informed us of all the documents that it expects to issue that may be other information.
- That the financial statements and any other information obtained by us prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.
- With regard to other information that has not been obtained by us prior to the date of the auditor's report, that management intends to prepare and issue such other information and the expected timing of such issuance.

[How do we obtain the other information if it is made available to users only via the entity's website?](#) [ISA | 7904.9384]

If the annual report containing other information is made available to users only via the entity's website, we obtain a draft of the electronic or interactive document (e.g. draft web page). This draft is the document on which we perform procedures in accordance with this chapter. We do not perform procedures over any information on the entity's website outside of the annual report.

[What are not our responsibilities if the other information is made available to users via the entity's website?](#) [ISA | 7904.9385]

If the other information is made available to users via the entity's website, we have no responsibility to search for other information in any website and/or perform procedures to confirm that the other information is appropriately displayed.

[Are we precluded from dating the auditor's report if we have not obtained some or all of the other information?](#) [ISA | 7904.9386]

No. We are not precluded from dating or issuing the auditor's report if we have not obtained some or all of the other information.

[If we obtain the other information after the date of the auditor's report, do our responsibilities change?](#) [ISA | 7904.9387]

No. Our responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by us prior to, or after, the date of the auditor's report.

[If we obtain the other information after the date of the auditor's report, do we update our subsequent event procedures?](#) [ISA | 7904.9388]

No. If the other information is obtained after the date of the auditor's report, we are not required to update the subsequent event procedures in accordance with the chapter on subsequent events (AS 2801, AU-C 560, ISA 560).

2 Take action when documents are not received before issuance [ISA | 3959]

What do we do?

IF the entity did not provide us with the final version of documents determined to be part of the annual report prior to the issuance to third parties, THEN take appropriate action.

Why do we do this?

If we become aware that the entity did not provide us with the final version of documents determined to be part of the annual report prior to the issuance of those documents to third parties, we take appropriate action because of our inability to perform our responsibilities with respect to other information.

Our responsibilities under this chapter do not constitute an assurance engagement on 'other information' or impose an obligation on us to obtain assurance about the other information.

However, the other information may be relevant to our audit or to the continuing propriety of the auditor's report. Other information that is materially inconsistent with the financial statements or our knowledge obtained in the audit may indicate an issue with the financial statements or the other information, either of which may undermine the credibility of the financial statements and the auditor's report thereon.

This chapter may also help us avoid being associated with documents that contain statements or information that are materially false or misleading, furnished recklessly, or omits or obscures required information.

Execute the Audit

[What appropriate action may we take if the entity did not provide us with the final version of documents that are part of the annual report prior to the issuance to third parties? \[ISA | 3959.1700\]](#)

If we become aware that management did not provide us with the final version of documents that are part of the annual report prior to those documents being provided to third parties, we may take the following actions:

- obtain those documents from management and perform the procedures in accordance with this chapter as soon as possible;
- communicate the matter to those charged with governance; and
- consider whether it is necessary to obtain legal advice - for example, by consulting with the member firm's legal counsel (in the US, this is OGC).

Reading and Considering the Other Information

International Standards on Auditing: ISA 720.14-15

Reading and Considering the Other Information

14. The auditor shall read the other information and, in doing so shall: (Ref: Para. A23 - A24)

- (a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in

the financial statements) with such amounts or other items in the financial statements; and (Ref: Para. A25 - A29)

(b) 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. (Ref: Para. A30 - A36)

15. While reading the other information in accordance with paragraph 14, the auditor shall 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. (Ref: Para. A24, A37 - A38)

ISA Application and Other Explanatory Material: ISA 720.A23-A38

Reading and Considering the Other Information (Ref: Para. 14 - 15)

A23. The auditor is required by ISA 200⁹ to plan and perform the audit with professional skepticism. Maintaining professional skepticism when reading and considering the other information includes, for example, recognizing that management may be overly optimistic about the success of its plans, and being alert to information that may be inconsistent with:

- (a) The financial statements; or
- (b) The auditor's knowledge obtained in the audit.

⁹ ISA 200, paragraph 15

A24. In accordance with ISA 220 (Revised), the engagement partner is required to take responsibility for direction and supervision of the members of the engagement team and the review of their work,⁸⁵ and determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements.⁸⁶ In the context of this ISA, factors that may be taken into account when determining the appropriate engagement team members to address the requirements of paragraphs 14 - 15, include:

- The relative experience of engagement team members.
- Whether the engagement team members to be assigned the tasks have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge.
- The degree of judgment involved in addressing the requirements of paragraph 14 - 15. For example, performing procedures to evaluate the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.
- Whether, in the case of a group audit, it is necessary to make inquiries of a component auditor in addressing the other information related to that component.

85 ISA 220 (Revised), Quality Management for an Audit of Financial Statements, paragraphs 29-30

86 ISA 220 (Revised), paragraph 30(a)

Considering Whether There Is a Material Inconsistency between the Other Information and the Financial Statements (Ref: Para. 14(a))

A25. Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements.

Examples of such amounts or other items may include:

- Tables, charts or graphs containing extracts of the financial statements.
- A disclosure providing greater detail about a balance or account shown in the financial statements, such as "Revenue for 20X1 comprised XXX million from product X and YYY million from product Y."
- Descriptions of the financial results, such as "Total research and development expense was XXX in 20X1."

A26. In evaluating the consistency of selected amounts or other items in the other information with the financial statements, the auditor is not required to compare all amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, with such amounts or other items in the financial statements.

A27. Selecting the amounts or other items to compare is a matter of professional judgment. Factors relevant to this judgment include:

- The significance of the amount or other item in the context in which it is presented, which may affect the importance that users would attach to the amount or other item (for example, a key ratio or amount).
- If quantitative, the relative size of the amount compared with accounts or items in the financial statements or the other information to which they relate.
- The sensitivity of the particular amount or other item in the other information, for example, share based payments for senior management.

A28. Determining the nature and extent of procedures to address the requirement in paragraph 14(a) is a matter of professional judgment, recognizing that the auditor's responsibilities under this ISA do not constitute an assurance engagement on the other information or impose an obligation to obtain assurance about the other information. Examples of such procedures include:

- For information that is intended to be the same as information in the financial statements, comparing the information to the financial statements.
- For information intended to convey the same meaning as disclosures in the financial statements, comparing the words used and considering the significance of differences in wording used and whether such differences imply different meanings.
- Obtaining a reconciliation between an amount within the other information and the financial statements from management and:
 - Comparing items in the reconciliation to the financial statements and the other information; and
 - Checking whether the calculations within the reconciliation are arithmetically accurate.

A29. Evaluating the consistency of selected amounts or other items in the other information with the financial statements includes, when relevant given the nature of the other information, the manner of their presentation compared to the financial statements.

Considering Whether There Is a Material Inconsistency between the Other Information and the Auditor's Knowledge Obtained in the Audit (Ref: Para. 14(b))

A30. Other information may include amounts or items that are related to the auditor's knowledge obtained in the audit (other than those in paragraph 14(a)). Examples of such amounts or items may include:

- A disclosure of the units produced, or a table summarizing such production by geographical region.
- A statement that "The company introduced product X and product Y during the year."
- A summary of the locations of the entity's major operations, such as "the entity's major center of operation is in country X, and there are also operations in countries Y and Z."

A31. The auditor's knowledge obtained in the audit includes the auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, obtained in accordance with ISA 315 (Revised 2019).¹¹ ISA 315 (Revised 2019) sets out the auditor's required understanding, which includes such matters as obtaining an understanding of:

- (a) The entity's organizational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of IT;
- (b) Relevant industry, regulatory, and other external factors;
- (c) The relevant measures used, internally and externally, to assess the entity's financial performance;

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 19-27

A32. The auditor's knowledge obtained in the audit may also include matters that are prospective in nature. Such matters may include, for example, business prospects and future cash flows that the auditor considered when evaluating the assumptions used by management in performing impairment tests on intangible assets such as goodwill, or when evaluating management's assessment of the entity's ability to continue as a going concern.

A33. In considering whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, the auditor may focus on those matters in the other information that are of sufficient importance that a misstatement of the other information in relation to that matter could be material.

A34. In relation to many matters in the other information, the auditor's recollection of the audit evidence obtained and conclusions reached in the audit may be sufficient to enable the auditor to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit. The more experienced and the more familiar with the key aspects of the audit the auditor is, the more likely it is that the auditor's recollection of relevant matters will be sufficient. For example, the auditor may be able to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit in light of the auditor's recollection of discussions held

with management or those charged with governance or findings from procedures carried out during the audit such as the reading of board minutes, without the need to take further action.

A35. The auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team, including relevant component auditors, is appropriate as a basis for the auditor's consideration of whether a material inconsistency exists. For example:

- When the other information describes the planned cessation of a major product line and, although the auditor is aware of the planned cessation, the auditor may make inquiries of the relevant engagement team member who performed the audit procedures in this area to support the auditor's consideration of whether the description is materially inconsistent with the auditor's knowledge obtained during the audit.
- When the other information describes important details of a lawsuit addressed in the audit, but the auditor cannot recall them adequately, it may be necessary to refer to the audit documentation where such details are summarized to support the auditor's recollection.

A36. Whether, and if so the extent to which, the auditor refers to relevant audit documentation, or makes inquiries of relevant members of the engagement team, including relevant component auditors is a matter of professional judgment. However, it may not be necessary for the auditor to refer to relevant audit documentation, or to make inquiries of relevant members of the engagement team, including relevant component auditors about any matter included in the other information.

Remaining Alert for Other Indications that the Other Information Appears to Be Materially Misstated (Ref: Para. 15)

A37. Other information may include discussion of matters that are not related to the financial statements and may also extend beyond the auditor's knowledge obtained in the audit. For example, the other information may include statements about the entity's greenhouse gas emissions.

A38. Remaining alert for other 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 assists the auditor in complying with relevant ethical requirements that require the auditor to avoid being knowingly associated with other information that the auditor believes contains a materially false or misleading statement, a statement provided recklessly, or omits or obscures necessary information such that the other information is misleading.¹²

Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as:

- Differences between the other information and the general knowledge, apart from the knowledge obtained in the audit, of the engagement team member reading the other information that lead the auditor to believe that the other information appears to be materially misstated; or
- An internal inconsistency in the other information that leads the auditor to believe that the other information appears to be materially misstated.

¹² IESBA Code, paragraph R111.2

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Read and consider the other information [ISA | 3961]

What do we do?

Read AND consider the other information.

Why do we do this?

After identifying and obtaining the relevant document(s) that comprises the annual report, we read and consider the other information because the other information may be relevant to our audit or to the continuing propriety of the auditor's report. Other information that is materially inconsistent with the financial statements or our knowledge obtained in the audit may indicate an issue with the financial statements or the other information, either of which may undermine the credibility of the financial statements and the auditor's report thereon.

It may also help us avoid being associated with documents that contain statements or information that are materially false or misleading, furnished recklessly, or omits or obscures required information.

Execute the Audit

[What procedures do we perform after identifying and obtaining the other information?](#) [ISA | 3961.1300]

After identifying and obtaining the other information,

- we read the other information and consider:
 - whether a MATERIAL INCONSISTENCY exists between the information in the financial statements and the other information (that is intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements). This includes considering whether a material inconsistency exists in the manner of the information's presentation.
 - whether a MATERIAL INCONSISTENCY exists between the other information and our knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit.
- while reading the other information, we remain alert for indications that the other information (that is not related to the financial statements or our knowledge obtained in the audit) appears to be MATERIALLY MISSTATED.

[What is a material inconsistency?](#) [ISA | 3961.9336]

A material inconsistency exists when other information conflicts or does not agree with information contained in the financial statements and the issue is material.

A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for our opinion on the financial statements.

[Are we responsible for searching for omitted information or for the completeness of the other information?](#) [ISA | 3961.9338]

No. We are not responsible for searching for omitted information or for the completeness of the other information.

How do we consider whether a material inconsistency exists between the other information and the financial statements? [ISA | 3961.1400]

If the other information contains amounts or other items that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, then we compare selected amounts or other items in the other information with the corresponding amounts or other items in the financial statements.

Examples of amounts or other items that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements may include:

- tables, charts or graphs containing extracts of the financial statements;
- a disclosure providing greater detail about a balance or account shown in the financial statements such as "Revenue for 20X1 comprised XXX million from product X and YYY million from product Y"; or
- descriptions of the financial results, such as "total research and development expense was XXX in 20X1".

Do we compare all the amounts or other items in the other information when we consider its consistency with the financial statements? [ISA | 3961.1500]

Not necessarily. In evaluating the consistency of the other information with the financial statements, we compare selected amounts or other items in the other information, but not necessary all of them.

How might we select amounts or other items in the other information for comparison? [ISA | 3961.1600]

Selecting the amounts or other items to compare is a matter of professional judgement. Factors relevant to our selection include:

- the significance of the amount or other item in the context in which it is presented - for example, a key ratio or amount;
- the relative size of the amount compared with accounts or items in the financial statements or the other information to which they relate; or
- the sensitivity of the particular amount or other item in the other information - for example, share based payments made to senior management.

How might we compare the amounts or other items we selected from the other information with the financial statements? [ISA | 3961.1700]

This table sets out some example procedures we may perform in specific situations:

Situation	Example procedure(s)
We expect the information to be the same as information in the financial statements	<p>Compare the information to the audited financial statements.</p> <p>Obtain a reconciliation between an amount within the other information and the financial statements from management and:</p> <ul style="list-style-type: none"> • compare items in the reconciliation to the financial statements and the other information; and

	<ul style="list-style-type: none"> recalculate amounts within the reconciliation to determine that they are arithmetically accurate.
We expect that the information will convey the same meaning as disclosures in the financial statements	Compare the words used in the information to the disclosures in the financial statements and think about whether differences in wording used could imply different meanings.

How do we consider whether a material inconsistency exists between the other information and the knowledge we obtained in our audit? [ISA | 3961.1800]

If other information includes amounts or items that are related to our knowledge obtained in the audit, we may perform procedures such as the following to consider whether a material inconsistency exists between the other information and the knowledge we obtained in our audit:

- Using our recollection of the audit evidence obtained and conclusions reached during the audit.

The more experienced and the more familiar with the key aspects of the audit the engagement team member reading the other information is, the more likely it is that our recollection of relevant matters will be sufficient.

For example, we may be able to consider whether a material inconsistency exists between the other information and our knowledge obtained in the audit in light of our recollection of discussions held with management or those charged with governance or findings from procedures carried out during the audit, such as the reading of board minutes, without the need to take further action.

- Referring to relevant audit documentation or making inquiries of relevant members of the engagement team, including relevant component auditors.

For example:

- When the other information describes the planned cessation of a major product line, although we are aware of the planned cessation, we may make inquiries of the relevant engagement team member who performed the audit procedures in this area to support our consideration of whether the description is materially inconsistent with our knowledge obtained during the audit.
- When the other information describes important details of a lawsuit addressed in the audit, but we cannot recall them adequately, it may be necessary to refer to the audit documentation where such details are summarized to support our recollection.
- When the other information describes a significant unusual transaction, we might refer to the contracts or agreements obtained during the audit to compare the details.

While remaining alert for indications that a material inconsistency exists between the other information and our knowledge obtained in the audit, we may focus on the matters in the other information that are of sufficient importance such that an inconsistency could be material.

What are examples of amount or items that are related to our knowledge obtained in the audit? [ISA | 3961.9339]

Examples of amount or items that are related to our knowledge obtained in the audit may include:

- a disclosure of the units produced or a table summarizing such production by geographical region;
- a statement that "the entity introduced product X and product Y during the year";
- a summary of the locations of the entity's major operations, such as "the entity's major center of operation is in country X, and there are also operations in countries Y and Z"

What does our knowledge obtained in the audit include? [ISA | 3961.9340]

Our knowledge obtained in the audit includes:

- our understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control. Our understanding includes such matters as:
 - the entity's organizational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of IT;
 - the relevant industry, regulatory, and other external factors;
 - the relevant measures used, internally and externally, to assess the entity's financial performance;
 - the entity's internal control.
- matters that are prospective in nature.

Such matters may include, for example, business prospects and future cash flows that we considered when evaluating the assumptions used by management in performing impairment tests on intangible assets such as goodwill, or when evaluating management's assessment of the entity's ability to continue as a going concern.

What might we identify while remaining alert for indicators that the other information appears to be materially misstated? [ISA | 3961.9341]

If the other information includes matters that are not related to the financial statements and extend beyond our knowledge obtained in the audit, remaining alert for indications that the other information appears to be materially misstated could potentially result in us identifying matters such as:

- information that omits or obscures information necessary for a user to appropriately understand a matter disclosed in the other information;

For example,

- if the other information purports to address the key performance indicators used by management, the omission of a key performance indicator used by management could indicate that the other information is misleading;
- if the information includes a sales pipeline, or backlog, which incorporates sales of a new product that depends on the availability of key components sourced from other countries,

omitting information about the lack of availability, unethical sourcing and quality assurance process for testing those components could cause the information to be misleading;

- if an entity discloses entering into new contracts that could increase its revenues and profits by 35%, omitting disclosing that significant investments in new property, plant and equipment are necessary to support these contracts, which depend on securing additional financing, could cause the information to be misleading. Sometimes the other information may reflect only the positive outcomes of decisions, but not the relevant short- or long-term side effects or consequences.

- differences between the other information and the general knowledge of the engagement team member reading the other information, apart from the knowledge obtained in the audit, which leads us to believe that the other information appears to be materially misstated;
- an internal inconsistency in the other information that leads us to believe that the other information appears to be materially misstated.

What is an example of matters that are not related to the financial statements and extend beyond our knowledge obtained in the audit? [ISA | 3961.9343]

An example of matters that are not related to the financial statements and extend beyond our knowledge obtained in the audit may include a statement about the entity's greenhouse gas emissions.

How do we maintain professional skepticism while reading and considering the other information? [ISA | 3961.9344]

Maintaining professional skepticism while reading and considering the other information includes, for example, recognizing that an entity might be under pressure to present certain results, which could be an incentive for management to:

- paint an overly optimistic picture about the success of its plans; and
- present information that may be inconsistent with the financial statements or the knowledge we obtained during our audit.

See activity '[Apply professional skepticism](#)' for information on professional skepticism.

What are the factors that we may think about when determining the appropriate engagement team members to read and consider the other information? [ISA | 3961.9345]

Factors that we may think about when determining the appropriate engagement team members to read and consider the other information include:

- the relative experience of engagement team members;
- whether the engagement team members have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge;
- the degree of judgment involved in reading and considering the other information;

For example, performing procedures to evaluate the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.

- whether, in the case of a group audit, it is necessary to make inquiries of a component auditor in addressing the other information related to that component.

Note that the engagement partner and/or the engagement manager usually read the other information, given their experience level and the fact that their review focuses on a wide range of topics.

[If a predecessor auditor's report appears in an annual report, does he/she read the other information as well?](#) [ISA | 3961.9346]

Yes. If a predecessor auditor's report appears in an annual report, he/she reads the other information as well.

Our responsibilities with respect to this chapter are the same regardless of whether we are the successor auditor or the predecessor auditor.

2 Group Audit | Consider how to address specific information related to components in the 'other information' [ISA | 3974]

What do we do?

IF we are the group auditor reading 'other information', THEN consider how to address specific information related to components.

Why do we do this?

In order to appropriately identify inconsistencies between the other information and the knowledge we obtained in the audit, the appropriate team members read the other information. When we are involved in a group audit, we, as the group auditor, consider how to address specific information related to components because the group auditor reading the other information may not have the necessary level of knowledge to determine whether there are material inconsistencies.

Execute the Audit

[How do we address other information related to components?](#) [ISA | 3974.1300]

As the group auditor, we consider how to address specific information related to components. We perform one or more of the following procedures to help us address such information:

- reading the other information that relates to components;
- requesting that component auditors read the other information related to the work performed over their components; and/or
- making inquiries of component auditors.

When is it appropriate to request a component auditor to read the 'other information'? [ISA | 3974.1400]

Depending on the level of knowledge the group auditor has, it may be more efficient and effective for the component auditor to read the other information and consider whether material inconsistencies exist or the other information is materially misstated.

If we decide to address the other information related to components, what may we do to enhance our knowledge of the components? [ISA | 3974.1500]

When we, as the group auditor, decide to address the other information related to components, there may be ways to enhance our knowledge of the components, such as:

- determining the specific other information that will be the subject of our reading and identifying which component it relates to;
- identifying the type of work requested of the component auditor and concluding whether such work can provide us with the relevant information to conclude whether the other information is consistent with the knowledge obtained in the audit;
- inspecting the relevant documentation of the component auditor to refresh our knowledge obtained in the audit; and/or
- inquiring with the component auditor about specific circumstances that come up to our attention related to the other information that relates to the component.

What do we do when requesting a component auditor to read 'other information' that relates to the audit of the component? [ISA | 3974.160199]

When we, as the group auditor, decide to request a component auditor to read the other information, we inform them of our requirements related to reading the other information in accordance with the activity '[Communicate with component auditors about matters relevant to the overall group audit strategy and group audit plan](#)'.

What do we include in our communications when requesting a component auditor to read 'other information' that relates to the audit of the component? [ISA | 3974.6096]

When we, as the group auditor, request that a component auditor read the other information, we might include the following in our communications with them:

- the level of materiality to consider when assessing material inconsistencies or misstatements in the other information; and
- who initiates communication and discussions with management, when necessary - for example, establishing whether the component auditor or group auditor initiates communications when the component auditor identifies apparent material inconsistencies or misstatements in the other information and considers it necessary to communicate further with management.

Who has the responsibility over the work performed when we request a component auditor to read the 'other information'? [ISA | 3974.6099]

The group auditor takes responsibility over the work performed when we request a component auditor to read the other information.

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

International Standards on Auditing: ISA 720.16

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

16. If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the other information appears to be materially misstated), the auditor shall discuss the matter with management and, if necessary, perform other procedures to conclude whether: (Ref: Para. A39 - A43)

- (a) A material misstatement of the other information exists;
- (b) A material misstatement of the financial statements exists; or
- (c) The auditor's understanding of the entity and its environment needs to be updated.

ISA Application and Other Explanatory Material: ISA 720.A39-A43

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated (Ref: Para. 16)

A39. The auditor's discussion with management about a material inconsistency (or other information that appears to be materially misstated) may include requesting management to provide support for the basis of management's statements in the other information. Based on management's further information or explanations, the auditor may be satisfied that the other information is not materially misstated. For example, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment.

A40. Conversely, the discussion with management may provide further information that supports the auditor's conclusion that a material misstatement of the other information exists.

A41. It may be more difficult for the auditor to challenge management on matters of judgment than on those of a more factual nature. However, there may be circumstances where the auditor concludes that the other information contains a statement that is not consistent with the financial statements or the auditor's knowledge obtained in the audit. These circumstances may raise doubt about the other information, the financial statements, or the auditor's knowledge obtained in the audit.

A42. As there is a wide range of possible material misstatements of the other information, the nature and extent of other procedures the auditor may perform to conclude whether a material misstatement of the other information exists are matters of the auditor's professional judgment in the circumstances.

A43. When a matter is unrelated to the financial statements or the auditor's knowledge obtained in the audit, the auditor may not be able to fully assess management's responses to the auditor's inquiries. Nevertheless, based on management's further information or explanations, or following changes made by management to the other information, the auditor may be satisfied that a material inconsistency no longer appears to exist or that the other information no longer appears to be materially misstated. When the auditor is unable to conclude that a material inconsistency no longer appears to exist or that the other information no longer appears to be materially misstated, the auditor may request management to consult with a qualified third party (for example, a management's expert or legal counsel). In certain cases, after considering the responses from management's consultation, the auditor may not be able to conclude whether or not a material misstatement of the other information exists. Actions the auditor may then take include one or more of the following:

- Obtaining advice from the auditor's legal counsel;
- Considering the implications for the auditor's report for example, whether to describe the circumstances when there is a limitation imposed by management; or
- Withdrawing from the audit, where withdrawal is possible under applicable law or regulation.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Respond when we identify apparent material inconsistencies or other information appears to be materially misstated AND conclude [ISA | 3965]

What do we do?

IF, after reading and considering the other information, a material inconsistency appears to exist OR the other information appears to be materially misstated, THEN respond appropriately AND conclude.

Why do we do this?

If after reading and considering the other information, a material inconsistency appears to exist or the other information appears to be materially misstated, we respond appropriately because the other information may be relevant to our audit or to the continuing propriety of the auditor's report. Other information that is materially inconsistent with the financial statements or our knowledge obtained in the audit may indicate an issue with the financial statements or the other information, either of which may undermine the credibility of the financial statements and the auditor's report thereon.

Execute the Audit

How do we respond if, after reading and considering the other information, a material inconsistency appears to exist or the other information appears to be materially misstated? [ISA | 3965.9307]

If, after reading and considering the other information, we identify that a material inconsistency appears to exist (or become aware that the other information appears to be materially misstated), we:

- discuss the matter with management and,
- if necessary, perform other procedures

to conclude:

- whether a MATERIAL MISSTATEMENT OF THE OTHER INFORMATION exists (i.e. the other information needs to be revised);
- whether a material misstatement of the financial statements exists (i.e. the financial statements need to be revised);
- whether our understanding of the entity and its environment needs to be updated.

What does the discussion with management entail? [ISA | 3965.9309]

Our discussion with management may provide further explanation that can help clarify the apparent inconsistency or misstatement in the other information. The discussion may also include requesting management to provide support for the basis of management's statements in the other information.

Based on management's further information or explanations, we may be satisfied that the other information does not need to be revised.

For example, management's explanations may indicate reasonable and sufficient grounds for valid differences of judgment.

Conversely, the discussion with management may provide further information that supports our conclusion that the other information needs to be revised.

Do we apply professional skepticism in our discussion with management? [ISA | 3965.6150]

Yes. In our discussions with management, it may be more difficult for us to challenge management on matters of judgment than on facts. However, in all cases, we apply professional skepticism in considering management's responses.

Sometimes, an entity may encourage us to accept explanations in order to close down a topic of inquiry. Having the appropriate engagement team members present in the meeting can help avoid management doing this before it is appropriate.

Can we reach our conclusions about material inconsistencies or misstatements in the other information from our discussion with management alone? [ISA | 3965.6151]

It depends. Depending on the information or explanations we obtain, we may be able to reach a conclusion through our discussion with management alone. This means that other procedures might not be necessary.

If other procedures are necessary, what may those be? [ISA | 3965.9310]

Because there is a wide range of possible scenarios, the nature and extent of other procedures we may perform to conclude whether the other information needs revision vary based on the circumstances.

What might lead us to request management to consult with a qualified third party? [ISA | 3965.9312]

When a matter is unrelated to the financial statements and the knowledge we obtained in our audit, we may not have the necessary expertise to be able to fully assess management's responses to our inquiries. For example, the other information may include statements about the entity's greenhouse gas emissions.

In these instances, we may request management to consult with a qualified third party (for example, management's expert or legal counsel) for advice.

If management consults with a qualified third party, we may consider the advice received by the entity to conclude whether the other information needs revision.

[What may we do if, after management's consultation with a qualified third party, we cannot conclude on whether the other information needs revision? \[ISA | 3965.9313\]](#)

In certain cases, after considering the outcome of management's consultation, we may not be able to conclude whether the other information needs revision. Then, we may take one or more of the following actions:

- consult with our legal counsel (in the US, this is OGC);
- consider the implications for the auditor's report;
- withdraw from the audit, when withdrawal is possible under applicable law or regulation.

[What is a misstatement of the other information? \[ISA | 3965.9315\]](#)

A misstatement of the other information exists when the other information is

- incorrectly stated OR
- otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information).

[How do we determine whether a misstatement of the other information is material - i.e. MATERIAL MISSTATEMENT OF THE OTHER INFORMATION? \[ISA | 3965.9316\]](#)

The concept of materiality may be discussed in a framework applicable to the other information and, if so, such a framework may provide a frame of reference for us in making judgments about materiality under this chapter.

In many cases, however, there is no applicable framework that includes a discussion of the concept of materiality as it applies to the other information. In such circumstances, the following characteristics provide us with a frame of reference in determining if a misstatement of the other information is material:

- Materiality is considered in the context of the common information needs of users as a group. The users of the other information are expected to be the same as the users of the financial statements because such users may be expected to read the other information to provide context to the financial statements.
- Judgments about materiality take into account the specific circumstances of the misstatement, considering whether users would be influenced by the effect of the uncorrected misstatement. Not all misstatements will influence the economic decisions of users.
- Judgments about materiality involve both qualitative and quantitative considerations. Accordingly, such judgments may take into account the nature or magnitude of the items that the other information addresses in the context of the entity's annual report.

If we conclude that the other information needs to be revised, what do we do? [ISA | 3965.9317]

If we conclude that the other information needs to be revised, we perform activity '[Respond when we conclude the other information needs to be revised](#)' in this chapter.

If we conclude that the financial statements need to be revised, what do we do? [ISA | 3965.9318]

If we conclude that the financial statements need to be revised, we perform activity '[Respond when we conclude the financial statements need to be revised](#)' in this chapter.

If we conclude that our understanding of the entity and its environment needs to be updated, what do we do? [ISA | 3965.9319]

If we conclude that our understanding of the entity and its environment needs to be updated, we perform activity '[Respond when our understanding of the entity needs to be updated](#)' in this chapter.

Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists

International Standards on Auditing: ISA 720.17-19

Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists

17. If the auditor concludes that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:

- (a) Agrees to make the correction, the auditor shall determine that the correction has been made; or
- (b) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made.

18. If the auditor concludes that a material misstatement exists in other information obtained prior to the date of the auditor's report, and the other information is not corrected after communicating with those charged with governance, the auditor shall take appropriate action, including: (Ref: Para. A44)

- (a) Considering the implications for the auditor's report and communicating with those charged with governance about how the auditor plans to address the material misstatement in the auditor's report (see paragraph 22(e)(ii)); or (Ref: Para. A45)
- (b) Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A46 - A47)

19. If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor's report, the auditor shall:

- (a) If the other information is corrected, perform the procedures necessary in the circumstances; or (Ref: Para. A48)

(b) If the other information is not corrected after communicating with those charged with governance, take appropriate action considering the auditor's legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared. (Ref: Para. A49 - A50)

ISA Application and Other Explanatory Material: ISA 720.A44-A50

Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists

Responding When the Auditor Concludes That a Material Misstatement Exists in Other Information Obtained prior to the Date of the Auditor's Report (Ref: Para. 18)

A44. The actions the auditor takes if the other information is not corrected after communicating with those charged with governance are a matter of the auditor's professional judgment. The auditor may take into account whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the auditor suspects an intention to mislead. The auditor may also consider it appropriate to seek legal advice. In some cases, the auditor may be required by law, regulation or other professional standards to communicate the matter to a regulator or relevant professional body.

Reporting Implications (Ref: Para. 18(a))

A45. In rare circumstances, a disclaimer of opinion on the financial statements may be appropriate when the refusal to correct the material misstatement of the other information casts such doubt on the integrity of management and those charged with governance as to call into question the reliability of audit evidence in general.

Withdrawal from the Engagement (Ref: Para. 18(b))

A46. Withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, may be appropriate when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the audit.

Considerations specific to public sector entities (Ref: Para. 18(b))

A47. In the public sector, withdrawal from the engagement may not be possible. In such cases, the auditor may issue a report to the legislature providing details of the matter or may take other appropriate actions.

Responding When the Auditor Concludes That a Material Misstatement Exists in Other Information Obtained after the Date of the Auditor's Report (Ref: Para. 19)

A48. If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor's report, and such a material misstatement has been corrected, the auditor's procedures necessary in the circumstances include determining that the correction has been made (in accordance with paragraph 17(a)) and may include reviewing the steps taken by management to communicate with those in receipt of the other information, if previously issued, to inform them of the revision.

A49. If those charged with governance do not agree to revise the other information, taking appropriate action to seek to have the uncorrected misstatement appropriately brought to the attention of users for whom the auditor's report is prepared requires the exercise of professional judgment, and may be affected by relevant law or regulation in the jurisdiction. Accordingly, the auditor may consider it appropriate to seek legal advice about the auditor's legal rights and obligations.

A50. When a material misstatement of the other information remains uncorrected, appropriate actions that the auditor may take to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared, when permitted by law or regulation, include, for example:

- Providing a new or amended auditor's report to management including a modified section in accordance with paragraph 22, and requesting management to provide this new or amended auditor's report to users for whom the auditor's report is prepared. In doing so, the auditor may need to consider the effect, if any, on the date of the new or amended auditor's report, in view of the requirements of the ISAs or applicable law or regulation. The auditor may also review the steps taken by management to provide the new or amended auditor's report to such users;
- Bringing the material misstatement of the other information to the attention of the users for whom the auditor's report is prepared (for example, by addressing the matter in a general meeting of shareholders);
- Communicating with a regulator or relevant professional body about the uncorrected material misstatement; or
- Considering the implications for engagement continuance (see also paragraph A46).

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Respond when we conclude the other information needs to be revised [ISA | 3972]

What do we do?

IF we conclude that a material misstatement in the other information exists, THEN respond appropriately.

Why do we do this?

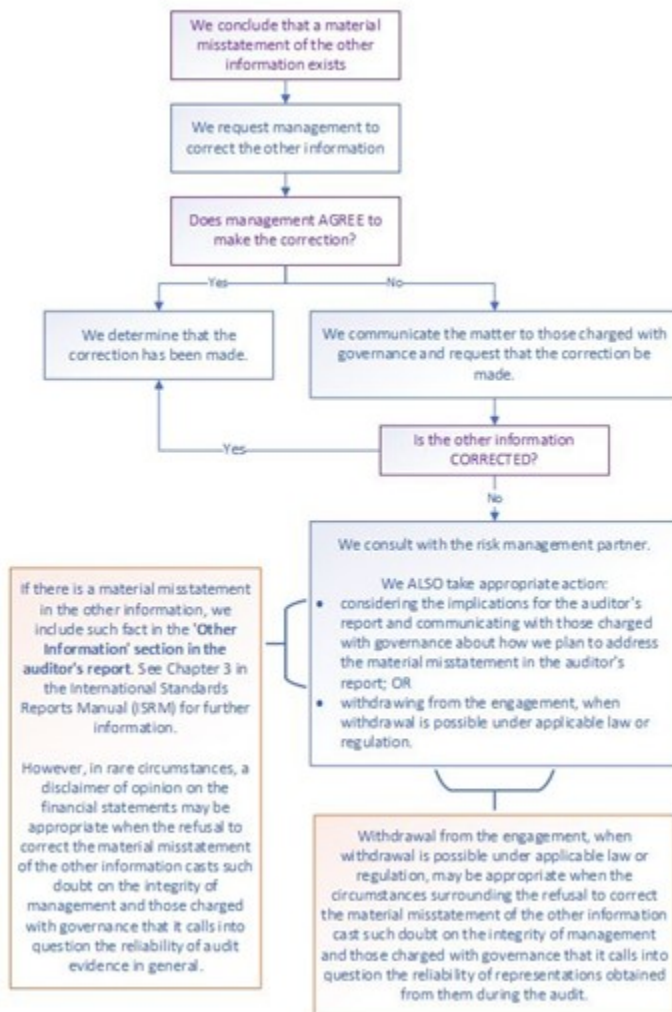
If the other information needs to be revised, we respond appropriately because the other information may be relevant to our audit or to the continuing propriety of the auditor's report. Other information that is materially inconsistent with the financial statements or our knowledge obtained in the audit may

indicate an issue with the financial statements or the other information, either of which may undermine the credibility of the financial statements and the auditor's report thereon.

Execute the Audit

How do we respond if we conclude that there is a material misstatement of the other information and we obtained the other information prior to the date of the auditor's report? [ISA | 3972.9350]

If we conclude that there is a material misstatement of the other information and we obtained the other information PRIOR TO the date of the auditor's report, we follow this flowchart:



What determines the action we take, in addition to consulting, when the other information is not corrected after communicating with those charged with governance? [ISA | 3972.9354]

In addition to consulting with the appropriate parties, the actions we take if the other information is not corrected after communicating with those charged with governance are based on the circumstances.

One of the things we think about when making this determination is whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance - e.g. when we suspect an intention to mislead.

[Are there specific considerations to public section entities?](#) [ISA | 3972.9355]

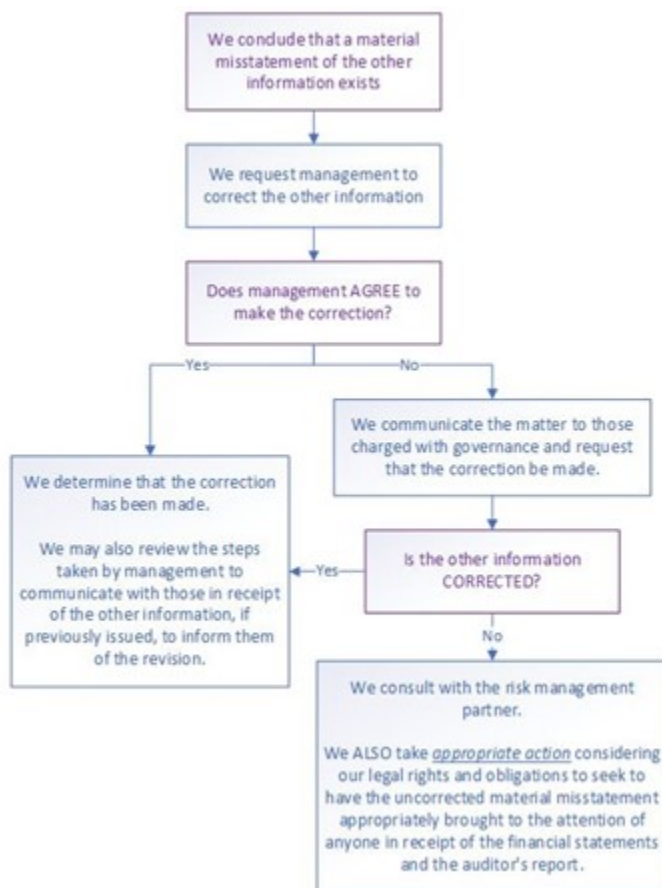
Yes. In the public sector, withdrawal from the engagement may not be possible. In such cases, we may issue a report to the legislature providing details of the matter or may take other appropriate actions.

[Do we communicate an uncorrected material misstatement of the other information to a regulator or relevant professional body?](#) [ISA | 3972.9358]

It depends. In some cases, we may be required by law, regulation, or other professional standards to communicate the matter to a regulator or relevant professional body.

[How do we respond if we conclude that there is a material misstatement of the other information and we obtained the other information after the date of the auditor's report?](#) [ISA | 3972.9360]

If we conclude that there is a material misstatement of the other information and we obtained the other information AFTER the date of the auditor's report, we follow this flowchart:



[What appropriate action may we take if a material misstatement of the other information remains uncorrected?](#) [ISA | 3972.9362]

If a material misstatement of the other information remains uncorrected, appropriate actions that we may take to seek to have the uncorrected material misstatement appropriately brought to the attention of anyone in receipt of the financial statements and the auditor's report, when permitted by law or regulation, include, for example, the following:

- providing a new or amended auditor's report to management, including an Other Information section with a statement that we have concluded that an uncorrected material misstatement of the other information exists and a description of it, AND requesting management to provide this new or amended auditor's report to anyone in receipt of the financial statements and the auditor's report. In doing so, we may need to consider the effect, if any, on the date of the new or amended auditor's report (i.e. whether we dual-date the report or provide a new date). We may also review the steps taken by management to provide the new or amended auditor's report to such users.
- bringing the material misstatement of the other information to the attention of known users of the financial statements and the auditor's report.
- communicating with a regulator or relevant professional body about the uncorrected material misstatement.
- considering the implications for engagement continuance, especially when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the audit.

Responding When a Material Misstatement in the Financial Statements Exists or the Auditor's Understanding of the Entity and Its Environment Needs to Be Updated

International Standards on Auditing: ISA 720.20

Responding When a Material Misstatement in the Financial Statements Exists or the Auditor's Understanding of the Entity and Its Environment Needs to Be Updated

20. If, as a result of performing the procedures in paragraphs 14 - 15, the auditor concludes that a material misstatement in the financial statements exists or the auditor's understanding of the entity and its environment needs to be updated, the auditor shall respond appropriately in accordance with the other ISAs. (Ref: Para. A51)

ISA Application and Other Explanatory Material: ISA 720.A51

Responding When a Material Misstatement in the Financial Statements Exists or the Auditor's Understanding of the

Entity and Its Environment Needs to Be Updated (Ref: Para. 20)

A51. In reading the other information, the auditor may become aware of new information that has implications for:

- The auditor's understanding of the entity and its environment, the financial reporting framework and the entity's system of internal control and, accordingly, may indicate the need to revise the auditor's risk assessment.¹³
- The auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.¹⁴
- The auditor's responsibilities relating to subsequent events.¹⁵

¹³ ISA 315 (Revised), paragraphs 11, 31, and A1

¹⁴ ISA 450, *Evaluation of Misstatements Identified during the Audit*

¹⁵ ISA 560, paragraphs 10 and 14

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Respond when we conclude the financial statements need to be revised [ISA | 3973]

What do we do?

IF we conclude that a material misstatement in the financial statements exists, THEN respond appropriately according to the specific circumstances.

Why do we do this?

If we conclude that a material misstatement in the financial statements exists, we respond appropriately according to the specific circumstances because this may have implications for the auditor's report.

Execute the Audit

How do we respond if we conclude that there is a material misstatement in the financial statements and we obtained the other information prior to the date of the auditor's report? [ISA | 3973.1300]

If we conclude that there is a material misstatement in the financial statements and we obtained the other information PRIOR TO the date of the auditor's report, we update our evaluation of uncorrected misstatements in the audit in accordance with the chapter on misstatements ([ISA 450](#), [AU-C 450](#), [AS 2810](#)).

If after the evaluation, the financial statements need to be revised and management does not correct the misstatement, we modify the auditor's report in accordance with the chapter on modifications of the auditor's report (AS 3105, AU-C 705, ISA 705).

How do we respond if we conclude that there is a material misstatement in the financial statements and we obtained the other information after the date of the auditor's report? [ISA | 3973.9299]

If we conclude that there is a material misstatement in the financial statements and we obtained the other information AFTER the date of the auditor's report, we perform the activities within the chapter on subsequent discovery of facts ([AS 2905](#), [ISA 560](#), [AU-C 560](#)).

2 Respond when we conclude our understanding of the entity needs to be updated [ISA | 3971]

What do we do?

IF we conclude that it is necessary to update our understanding of the entity and its environment, THEN respond appropriately.

Why do we do this?

If we conclude that it is necessary to update our understanding of the entity and its environment, we respond appropriately because otherwise, there is a risk of not having the appropriate audit evidence to support the audit opinion.

Execute the Audit

How do we respond if we conclude that our understanding of the entity and its environment needs to be updated and we obtained the other information prior to the date of the auditor's report? [ISA | 3971.1400]

If we conclude prior to the date of the auditor's report that it is necessary to update our understanding of the entity and its environment, we revise our risk assessment and consider the impact on the ongoing audit. This may mean gathering and analyzing new, or updating existing, information and performing additional procedures where this new understanding changes our audit approach or generates new RMMs.

How do we respond if we conclude that our understanding of the entity and its environment needs to be updated and we obtained the other information after the date of the auditor's report? [ISA | 3971.1500]

If we conclude after the date of the auditor's report that it is necessary to update our understanding of the entity and its environment, we perform the activities within the chapter on subsequent discovery of facts ([AS 2905](#), [ISA 560](#), [AU-C 560](#)).

Examples

What is an example in which the understanding of the entity and its environment might need to be updated? [ISA | 3971.9300]

While reading the business review within the other information prior to the issuance of the auditor's report, the engagement team learns about the success of a new loyalty program that started in the year.

The engagement team was not aware of the loyalty program and has not reviewed the accounting treatment. Consequently, its understanding of applicable accounting policies and processes will be updated and the engagement team may also:

- select additional risks of misstatement;
- make additional inquiries of management;
- perform additional procedures associated with the loyalty program;
- revisit any audit work which may be intrinsically linked to the loyalty program.

What are other examples of scenarios in which the understanding of the entity and its environment might need to be updated? [ISA | 3971.9301]

There may be a wide range of possible reasons that cause the engagement team to re-visit and update its understanding of the entity and its environment.

For example,

- The engagement team may learn that there is a transaction not previously known - e.g. the land on which a built factory is situated is subject to a compulsory repurchase by the government impacting operations.
- Commentary within other information breaks down revenue streams into greater depth than the segmental disclosures in the financial statements. This may indicate a new market or product, and/or that management analyzes internal reporting differently than previously understood.
- New industry specific legislation requirements without which there would be an impact on the entity's ability to operate under certain parameters.

Reporting

International Standards on Auditing: ISA 720.21-24

Reporting

21. The auditor's report shall include a separate section with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report:

- (a) For an audit of financial statements of a listed entity, the auditor has obtained, or expects to obtain, the other information; or
- (b) For an audit of financial statements of an entity other than a listed entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)

22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)

- (a) A statement that management is responsible for the other information;
- (b) An identification of:
 - (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and
 - (ii) For an audit of financial statements of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report;

- (c) 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;
- (d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA; and
- (e) When other information has been obtained prior to the date of the auditor's report, either:
 - (i) A statement that the auditor has nothing to report; or
 - (ii) 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.

23. When the auditor expresses a qualified or adverse opinion in accordance with ISA 705 (Revised)³ the auditor shall consider the implications of the matter giving rise to the modification of opinion for the statement required in paragraph 22(e). (Ref: Para. A54 - A58)

³ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

Reporting Prescribed by Law or Regulation

24. If the auditor is required by law or regulation of a specific jurisdiction to refer to the other information in the auditor's report using a specific layout or wording, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum: (Ref: Para. A59)

- (a) Identification of the other information obtained by the auditor prior to the date of the auditor's report;
- (b) A description of the auditor's responsibilities with respect to the other information; and
- (c) An explicit statement addressing the outcome of the auditor's work for this purpose.

ISA Application and Other Explanatory Material: ISA 720.A52-A59

Reporting (Ref: Para. 21 - 24)

A52. For an audit of financial statements of an entity other than a listed entity, the auditor may consider that the identification in the auditor's report of other information that the auditor expects to obtain after the date of the auditor's report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor's responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor's report.

Illustrative Statements (Ref: Para. 21 - 22)

A53. Illustrative examples of the "Other Information" section of the auditor's report are included in Appendix 2.

Reporting Implications When the Auditor's Opinion on the Financial Statements Is Qualified or Adverse (Ref: Para. 23)

A54. A qualified or adverse auditor's opinion on the financial statements may not have an impact on the statement required by paragraph 22(e) if the matter in respect of which the auditor's opinion has been modified is not included or otherwise addressed in the other information and the matter does not affect any part of the other information. For example, a qualified opinion on the financial statements because of non-disclosure of directors' remuneration as required by the applicable financial reporting framework may have no implications for the reporting required under this ISA. In other circumstances, there may be implications for such reporting as described in paragraphs A55 - A58.

Qualified Opinion Due to a Material Misstatement in the Financial Statements

A55. In circumstances when the auditor's opinion is qualified, consideration may be given as to whether the other information is also materially misstated for the same matter as, or a related matter to, the matter giving rise to the qualified opinion on the financial statements.

Qualified Opinion Due to Limitation of Scope

A56. When there is a limitation of scope with respect to a material item in the financial statements, the auditor will not have obtained sufficient appropriate audit evidence about that matter. In these circumstances, the auditor may be unable to conclude whether or not the amounts or other items in the other information related to this matter result in a material misstatement of the other information. Accordingly, the auditor may need to modify the statement required by paragraph 22(e) to refer to the auditor's inability to consider management's description of the matter in the other information in respect of which the auditor's opinion on the financial statements has been qualified as explained in the Basis for Qualified Opinion paragraph. The auditor is nevertheless required to report any other uncorrected material misstatements of the other information that have been identified.

Adverse Opinion

A57. An adverse opinion on the financial statements relating to a specific matter(s) described in the Basis for Adverse Opinion paragraph does not justify the omission of reporting of material misstatements of the other information that the auditor has identified in the auditor's report in accordance with paragraph 22(e) (ii). When an adverse opinion has been expressed on the financial statements, the auditor may need to appropriately modify the statement required by paragraph 22(e) for example, to indicate that amounts or items in the other information is materially misstated for the same matter as, or a related matter to, the matter giving rise to the adverse opinion on the financial statements.

Disclaimer of Opinion

A58. When the auditor disclaims an opinion on the financial statements, providing further details about the audit, including a section to address other information may overshadow the disclaimer of opinion on the financial statements as a whole. Accordingly, in those circumstances, as required by ISA 705 (Revised), the auditor's report does not include a section addressing the reporting requirements under this ISA.

Reporting Prescribed by Law or Regulation (Ref: Para. 24)

A59. ISA 200¹⁶ explains that the auditor may be required to comply with legal or regulatory requirements in addition to the ISA. Where this is the case, the auditor may be obliged to use a specific layout or wording in the auditor's report that differs from that described in this ISA. Consistency in the auditor's

report, when the audit has been conducted in accordance with ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. When the differences between the legal or regulatory requirements to report with respect to the other information and this ISA relate only to the layout and wording in the auditor's report and, at a minimum, each of the elements identified in paragraph 24 is included in the auditor's report, the auditor's report may refer to International Standards on Auditing. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of this ISA, even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements.

16 ISA 200, paragraph A57

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Report on the other information [ISA | 3977]

What do we do?

Report on the other information

Why do we do this?

We report on the other information to increase transparency about our responsibilities in relation to it, and also to avoid being associated with misleading information.

Execute the Audit

Where can we find additional information about reporting on other information? [ISA | 3977.1300]

Refer to section [3.400 of the ISRM](https://alex.kpmg.com/AROWeb/document/lfc/find/UN_IISRM_ISRM2018_3_400) https://alex.kpmg.com/AROWeb/document/lfc/find/UN_IISRM_ISRM2018_3_400 https://alex.kpmg.com/AROWeb/document/lfc/find/UN_IISRM_ISRM2018_3_400 for additional information about reporting on other information.

Documentation

International Standards on Auditing: ISA 720.25

Documentation

25. In addressing the requirements of ISA 230⁴ as it applies to this ISA, the auditor shall include in the audit documentation:

- (a) Documentation of the procedures performed under this ISA; and
- (b) The final version of the other information on which the auditor has performed the work required under this ISA.

⁴ ISA 230, *Audit Documentation*, paragraphs 8 - 11

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Document the procedures performed over other information [ISA | 3978]

What do we do?

Include in our audit documentation the procedures performed over other information, the final version of the other information, and the engagement partner's confirmation that the engagement team has read the other information.

Why do we do this?

The evidence of our conclusions are reflected in our audit documentation.

Execute the Audit

[What does the engagement partner include in his or her confirmation that the engagement team has read the other information? \[ISA | 3978.1300\]](#)

The engagement partner confirms that the engagement team has read the other information to determine whether it is materially consistent with information appearing in the financial statements or with the knowledge we obtained in our audit.

[Where does the engagement partner evidence his or her confirmation? \[ISA | 3978.9302\]](#)

The engagement partner evidences this confirmation on the final version of the other information.

[If we receive the other information after the date of the auditor's report but within the relevant audit file assembly period, where do we include the procedures over other information, the final version of the other information, and the engagement partner's confirmation that the engagement team has read the other information? \[ISA | 3978.9303\]](#)

If we receive the other information after the date of the auditor's report but within the relevant audit file assembly period, we include:

- the procedures performed over other information,
- the final version of the other information, and
- the engagement partner's confirmation that the engagement team has read the other information

in the audit file.

[Do we complete the Documentation Assembly and Modification Work Paper? \[ISA | 3978.9304\]](#)

In accordance with activity 'Assemble the final audit file' in the chapter on audit documentation (AS 1215, AU-C 230, ISA 230), adding documentation related to the procedures over other information to the audit file is an administrative assembly activity that represents an allowable exemption from completing the Documentation Assembly and Modification Work Paper.

HOWEVER, if after reading and considering the other information, we conclude that there is a material misstatement in the financial statements or that our knowledge obtained in the audit needs to be updated, we complete the relevant section of the Documentation Assembly and Modification Work Paper.

If we receive the other information after the relevant audit file assembly period, where do we include the procedures over other information, the final version of the other information and the engagement partner's confirmation that the engagement team has read the other information? [ISA | 3978.9305]

If we receive the other information after the relevant audit file assembly period, we follow local laws or regulations and member firm policies. We may include:

- the procedures performed over other information,
- the final version of the other information, and
- the engagement partner's confirmation that the engagement team has read the other information

in any of the following:

- Scenario A: in the audit file of the subsequent period. In this case, the original audit file is not modified.
- Scenario B: in a separate set of work papers that we file together with the audit file of the original period.
- Scenario C: in the audit file of the original period - i.e. we may reopen the original file to add the additional documentation. In this case, the original audit file is not modified and BOTH the original unmodified audit file and the modified file are both retained.

In all these scenarios, we do not complete the Documentation Assembly and Modification Work Paper because procedures performed on other information are not audit procedures on the financial statements.

HOWEVER, if after reading and considering the other information, we conclude that there is a material misstatement in the financial statements or that our knowledge obtained in the audit needs to be updated, we cannot choose scenario A. In addition, we complete the relevant section of the Documentation Assembly and Modification Work Paper.

Appendix 1 - Examples of Amounts or Other Items that May Be Included in the Other Information

International Standards on Auditing: ISA 720. Appendix 1

Appendix 1 Examples of Amounts or Other Items that May Be Included in the Other Information

(Ref: Para. 14, A8)

The following are examples of amounts and other items that may be included in other information. This list is not intended to be exhaustive.

Amounts

- Items in a summary of key financial results, such as net income, earnings per share, dividends, sales and other operating revenues, and purchases and operating expenses.
- Selected operating data, such as income from continuing operations by major operating area, or sales by geographical segment or product line.
- Special items, such as asset dispositions, litigation provisions, asset impairments, tax adjustments, environmental remediation provisions, and restructuring and reorganization expenses.
- Liquidity and capital resource information, such as cash, cash equivalents and marketable securities; dividends; and debt, capital lease and minority interest obligations.
- Capital expenditures by segment or division.
- Amounts involved in, and related financial effects of, off-balance sheet arrangements.
- Amounts involved in guarantees, contractual obligations, legal or environmental claims, and other contingencies.
- Financial measures or ratios, such as gross margin, return on average capital employed, return on average shareholders' equity, current ratio, interest coverage ratio and debt ratio. Some of these may be directly reconcilable to the financial statements.

Other Items

- Explanations of critical accounting estimates and related assumptions.
- Identification of related parties and descriptions of transactions with them.
- Articulation of the entity's policies or approach to manage commodity, foreign exchange or interest rate risks, such as through the use of forward contracts, interest rate swaps, or other financial instruments.
- Descriptions of the nature of off-balance sheet arrangements.
- Descriptions of guarantees, indemnifications, contractual obligations, litigation or environmental liability cases, and other contingencies, including management's qualitative assessments of the entity's related exposures.
- Descriptions of changes in legal or regulatory requirements, such as new tax or environmental regulations, that have materially impacted the entity's operations or fiscal position, or will have a material impact on the entity's future financial prospects.
- Management's qualitative assessments of the impacts of new financial reporting standards that have come into effect during the period, or will come into effect in the following period, on the entity's financial results, financial position and cash flows.
- General descriptions of the business environment and outlook.
- Overview of strategy.
- Descriptions of trends in market prices of key commodities or raw materials.
- Contrasts of supply, demand and regulatory circumstances between geographic regions.
- Explanations of specific factors influencing the entity's profitability in specific segments.

Appendix 2 - Illustrations of Independent Auditor's Reports Relating to Other Information

International Standards on Auditing: ISA 720.Appendix 2

Appendix 2 Illustrations of Independent Auditor's Reports Relating to Other Information

(Ref: Para. 21 - 22, A53)

- Illustration 1: An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion 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.
- Illustration 2: An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 3: An auditor's report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 4: An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Illustration 5: An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- Illustration 6: An auditor's report of any entity, whether listed or other than listed, containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 7: An auditor's report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

Illustration 1 - An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion 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.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) ¹⁷ does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**

- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).¹⁸
- Key audit matters have been communicated in accordance with ISA 701.¹⁹
- 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.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements²⁰

Illustration 1: Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 1: Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Illustration 1: [Key Audit Matters]²¹

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]]

Illustration 1: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management²² is responsible for the other information. The other information comprises the [information included in the X report²³ 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.

Illustration 1: Responsibilities of Management and Those Charged with Governance for the Financial Statements²⁴

[Reporting in accordance with ISA 700 (Revised)²⁵ - see Illustration 1 in ISA 700 (Revised).]

Illustration 1: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 1: Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [name].²⁶]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 2 - An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**

- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 2: Report on the Audit of the Financial Statements²⁷

Illustration 2: Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 2: Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Illustration 2: Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Illustration 2: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management²⁸ is responsible for the other information. The other information comprises the X report²⁹ (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Y report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

[When we read the Y report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and *[describe actions applicable in the jurisdiction.]*]³⁰

Illustration 2: Responsibilities of Management and Those Charged with Governance for the Financial Statements³¹

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 2: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 2: Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor's report is *[name]*.³²

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 3 - An auditor's report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
- **The auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **The auditor has no other reporting responsibilities required under law or regulation.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 3: Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 3: Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we

have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Illustration 3: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management³³ is responsible for the other information. The other information obtained at the date of this auditor's report is [information included in the X report³⁴ 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 on the other information obtained prior to the date of this auditor's report, 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.

Illustration 3: Responsibilities of Management and Those Charged with Governance for the Financial Statements³⁵

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 3: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 4 - An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 4: Report on the Audit of the Financial Statements³⁶

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 4: Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Illustration 4: Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Illustration 4: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management³⁷ is responsible for the other information. The other information comprises the [information included in the X report³⁸ but does not include the financial statements and our auditor's report thereon]. The X report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

[When we read the X report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and *[describe actions applicable in the jurisdiction]*.]³⁹

Illustration 4: Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁰

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 4: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Illustration 4: Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor's report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 5 - An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **The auditor has no other reporting responsibilities required under law or regulation.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 5: Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 5: Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Illustration 5: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management⁴¹ is responsible for the other information. The other information comprises the [information included in the X report⁴² 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. As described below, we have concluded that such a material misstatement of the other information exists.

[Description of material misstatement of the other information]

Illustration 5: [Key Audit Matters]⁴³

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Illustration 5: Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁴

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

Auditor's Illustration 5: Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [name].⁴⁵]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 6 - An auditor's report of any entity, whether listed or other than listed, containing an qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**
- **The consolidated financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management's responsibility for the consolidated financial statements in ISA 210.**
- **The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion is appropriate).**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).**
- **Key audit matters have been communicated in accordance with ISA 701.**

- **The auditor has obtained all of the other information prior to the date of the auditor's report and the matter giving rise to the qualified opinion on the consolidated financial statements also affects the other information**
- **Those responsible for oversight of the consolidated financial statements differ from those responsible for the preparation of the consolidated financial statements.**
- **The auditor has no other reporting responsibilities required under law or regulation.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 6: Qualified Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 6: Basis for Qualified Opinion

The Group's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at xxx on the consolidated statement of financial position as at December 31, 20X1, and ABC's share of XYZ's net income of xxx is included in ABC's income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Illustration 6: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management⁴⁶ is responsible for the other information. The other information comprises the [information included in the X report⁴⁷ but does not include the consolidated financial statements and our auditor's report thereon.]

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Illustration 6: [Key Audit Matters]⁴⁸

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701.]]

Illustration 6: Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁹

[Reporting in accordance with ISA 700 (Revised) - see Illustration 2 in ISA 700 (Revised).]

Illustration 6: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [name].⁵⁰]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 7 - An auditor's report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

- The consolidated financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the consolidated financial statements in ISA 210.
- The consolidated financial statements are materially misstated due to the non-consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the consolidated financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion is appropriate).
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- Key audit matters have been communicated in accordance with ISA 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and the matter giving rise to the adverse opinion on the consolidated financial statements also affects the other information
- Those responsible for oversight of the consolidated financial statements differ from those responsible for the preparation of the consolidated financial statements.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Illustration 7: Adverse Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the accompanying consolidated financial statements do not present fairly (or *do not give a true and fair view of*) the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Illustration 7: Basis for Adverse Opinion

As explained in Note X, the Group has not consolidated subsidiary XYZ Company that the Group acquired during 20X1 because it has not yet been able to determine the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis. Under IFRSs, the Group should have consolidated this subsidiary and accounted for the acquisition based on provisional amounts. Had XYZ Company been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Illustration 7: Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management⁵¹ is responsible for the other information. The other information comprises the [information included in the X report⁵² but does not include the consolidated financial statements and our auditor's report thereon.]

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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. As described in the *Basis for Adverse Opinion* section above, the Group should have consolidated XYZ Company and accounted for the acquisition based on provisional amounts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to consolidate XYZ Company.

[Illustration 7: Key Audit Matters]⁵³

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701.]]

Illustration 7: Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵⁴

[Reporting in accordance with ISA 700 (Revised) - see Illustration 2 in ISA 700 (Revised).]

Illustration 7: Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) - see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [name].⁵⁵]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

17 ISA 600 (Revised), *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)*

18 ISA 570 (Revised), *Going Concern*

19 ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*. The Key Audit Matters section is required for listed entities only.

20 The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

21 The Key Audit Matters section is required for listed entities only.

22 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

23 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.

24 Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

25 ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

26 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

27 The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

28 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

29 A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

30 This additional paragraph may be useful when the auditor has identified an uncorrected material misstatement of the other information obtained after the date of the auditor's report and has a legal obligation to take specific action in response.

31 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

32 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

33 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

34 A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

35 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

36 The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

37 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

38 A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

39 This additional paragraph may be useful when the auditor has identified an uncorrected material misstatement of the other information obtained after the date of the auditor's report and has a legal obligation to take specific action in response.

40 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

41 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

42 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.

43 The Key Audit Matters section is required for listed entities only.

44 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

45 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

46 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

47 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.

48 The Key Audit Matters section is required for listed entities only.

49 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

50 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

51 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

52 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.

53 The Key Audit Matters section is required for listed entities only.

54 Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

55 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

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