



Agenda Item 7A

Proposed Revised AU-C section 720 “The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports”

ISA 720 (Revised) used as base.¹

Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs	Application and Other Explanatory Material
Introduction	
Scope of this SAS	Scope of This SAS (Ref: par. 2 and 9)
1. This Statement on Auditing Standards (SAS) addresses 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	

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report may be a single document or a combination of documents that serve the same purpose.	
<p>2. This SAS also may be applied, adapted as necessary in the circumstances, to documents that are not part of an entity’s annual report, to which the auditor is requested or otherwise required to devote attention. (Ref: par. A1-A2)</p>	<p>.A1 In instances in which the auditor applies this section to other documents to which the auditor, at management’s request, devotes attention, all of the requirements of this section, including those standards regarding reporting, are applicable, adapted as necessary in the circumstances.</p> <p>.A2 Documents that are not part of an entity’s annual report, to which the auditor, at management’s request, may devote attention include but are not limited to:</p> <ul style="list-style-type: none"> • Offering documents • IRS Form 5500, Annual Return/Report of Employee Benefit Plan • Loan application documents • Preliminary announcements of financial information
<p>3. This SAS is written in the context of an audit of financial statements by an independent auditor. Accordingly, the objectives of the auditor in this SAS are to be understood in the context of the overall objectives of the auditor as stated in paragraph 12 of AU-C section 200. The requirements in the SASs are designed to enable the auditor to achieve the objectives</p>	

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<p>specified in the SASs, 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 SAS require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.</p>	
<p>4. This SAS 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.</p>	
<p>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.</p>	
<p>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 au-</p>	

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ditor's report.	
7. The auditor's responsibilities under this SAS do not constitute an assurance engagement on other information or impose an obligation on the auditor to obtain assurance about the other information.	
8. Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this SAS.	
9. This standard does not apply to supplemental information addressed by AU-C section 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i> or required supplementary information addressed by AU-C section 730, <i>Required Supplementary Information</i> . (Ref: par. A3)	<p>.A3 This SAS also addresses other information for which a designated accounting standard setter⁶ has issued standards or guidance regarding the format to be used and content to be included when such information is voluntarily presented in an annual report – for example, Statement No. 44 of the Governmental Accounting Standards Board, <i>Economic Condition Reporting: The Statistical Section</i>.</p> <p>⁶ <i>Designated accounting standards setter</i> is defined in paragraph .04 of section 730.</p>
Effective Date	
10. This SAS is effective for audits of financial statements for periods ending on or after December 15, 201X.	

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Objectives	
<p>11. The objectives of the auditor, having read the other information, are:</p> <ul style="list-style-type: none"> (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 SAS. 	
Definitions	Definitions
<p>12. For purposes of the SASs, the following terms have the meanings attributed below:</p> <p>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</p>	<p><i>Annual Report</i> (Ref: par. 12)</p> <p>A3. Law, regulation or custom may define the content of an annual re-</p>

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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, accompanies, or incorporates by reference 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. Annual reports include annual reports of governments and organizations for charitable or philanthropic purposes that are available to the public. (Ref: par. A3–A8)

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port, and the name by which it is to be referred.

A4. 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.

A5. 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.

A6. 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 SAS, include:

- IRS Form 990, Return of Organization Exempt From Income Tax

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- IRS Form 5500, Annual Return/Report of Employee Benefit Plan
- Annual statement filed with National Association of Insurance Commissioners
- 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

A7. While a document may be referred to as an annual report, such document may not meet the definition of annual report for purposes of this SAS. For example, often IRS Form 990 is referred to as a not-for-profit's "annual report."

Considerations Specific to Governmental Entities

A8. The term *annual reports of governments* is intended to include comprehensive annual financial reports or other annual financial reports that include the government's financial statements and the auditor's report thereon.

Misstatement of the other information. A misstatement of the other

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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: par. A9–A11)

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Misstatement of the Other Information (Ref: par. 12)

A9. When a particular matter is disclosed in the other information, the other information may omit information that is necessary for a proper understanding of that matter or, in the light of the circumstances, to keep the other information from being misleading. 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 of which the auditor is aware could indicate that the other information is misleading. The auditor is not responsible to search for omitted information or for the completeness of the other information.

A10. Other information may be undermined by the inclusion of information that is not relevant or that obscures a proper understanding of the matters disclosed.

A11. 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 SAS. 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 infor-

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Other information. Financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report, excluding required supplementary information.¹ (Ref: par. A12)

¹ *Required supplementary information* is defined in paragraph .04 of section 730, *Required Supplementary Information*.

mation 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: par. 12)

A12. The following are examples of amounts and other items that may be included in other information. This list is not intended to be exhaustive.

- 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.
- Management’s internal control and risk assessment reports.

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	<ul style="list-style-type: none"> • Financial summaries or highlights • Employment data • Planned capital expenditures • Financial ratios • Names of officers and directors • Selected quarterly data
Requirements	
Obtaining the Other Information	Obtaining the Other Information (Ref: par. 13)
<p>13. The auditor should: (Ref: par. A13–A25)</p> <p>(a) Determine, through discussion with management, and obtain management’s written acknowledgement as to which document(s) comprises the annual report, and the entity’s planned manner and timing of the issuance of such document(s);</p> <p>(b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor’s report,</p>	<p>A13. 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 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</p>

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the final version of the document(s) comprising the annual report; and

document(s) is the annual report.

A14. Management’s written acknowledgement of the documents which constitute the annual report and the expected timing that such documents will be made available to the auditor may be included in the engagement letter, an amendment to the engagement letter, in a representation letter, or some other written communication.

A15. 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 SAS 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.

A16. The communications referred to in paragraph A15 may be particularly appropriate for example:

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- 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.

A17. 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.

A18. 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.

A19. There may be circumstances when, at the date of the auditor's report, the entity is considering the development of a document that may constitute or may be part of the entity's annual report (for example, a voluntary report to stakeholders) but management is unable to confirm

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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 within the scope of this SAS.

A20. 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 Paragraph 23 of AU-C section 210, *Terms of Engagement*

A21. 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 SAS. The auditor has no responsibility in accordance with this SAS 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. However, the auditor may nevertheless consider comparing the other information obtained from the entity to the version that is made available to users via the entity's website.

A22. The auditor is not precluded from dating or issuing the auditor's

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(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 on the financial statements, 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 SAS. (Ref: par. A23-A25)

report if the auditor has not obtained some or all of the other information.

A23. 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 .09-.11 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*.

A24. AU-C section 580, *Written Representations* 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 SAS 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.

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A25. If the auditor becomes aware that the entity did not provide the auditor with a final version of documents determined in paragraph .13a to comprise part of the annual report prior to the issuance of those documents to third parties, actions that the auditor may consider taking include:

- Obtaining those documents from management and performing the procedures required by this section as soon as practicable
- Communicating the matter to those charged with governance, if applicable
- Considering the need to obtain legal advice

Reading and Considering the Other Information

Reading and Considering the Other Information (Ref: par. 14)

14. The auditor should read the other information and, in doing so should: (Ref: par. A26–A27)

A26. The auditor is required by AU-C section 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.

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⁹ AU-C section 200, paragraph 17

A27. In accordance with AU-C section 220,¹⁰ the engagement partner is required to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements. In the context of this SAS, 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.

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

A28. Other information may include amounts or other items that are in-

(a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor should, 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,

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the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and (Ref: par. A28–A32)

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tended 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.”

A29. 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.

A30. 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).

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- 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.

A31. 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 SAS 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.

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(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: par. A33–A40)

A32. 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: par. 14(b) and par. 22(e))

A33. 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.”

A34. The auditor’s knowledge obtained in the audit includes the auditor’s understanding of the entity and its environment, including the entity’s internal control, obtained in accordance with AU-C section 315.¹¹ AU-C section 315 sets out the auditor’s required understanding, which includes such matters as obtaining an understanding of:

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- (a) The relevant industry, regulatory, and other external factors;
- (b) The nature of the entity;
- (c) The entity's selection and application of accounting policies;
- (d) The entity's objectives and strategies;
- (e) The measurement and review of the entity's financial performance; and
- (f) The entity's internal control.

¹¹ AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* paragraphs 12-13.

A35. 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.

A36. In the case of a group audit, while the group auditor is required to read the entirety of the other information if, in accordance with paragraph .24 of AU-C section 200, the group auditor decides to make reference to a component auditor in the auditor's report on the group financial statements, the auditor's knowledge obtained during the audit does not include the knowledge obtained by the component auditors and the

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group auditor has no responsibility to obtain such knowledge from the component auditor.

A37. 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.

A38. 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.

A39. The auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team or relevant component auditors (when the auditor assumes responsibility for the work of component auditors) is appropriate as a basis for the auditor's consideration of whether a material inconsistency exists.

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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.

A40. 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 or relevant component auditors (when the auditor assumes responsibility for the work of 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 or relevant component auditors about any matter included in the other information.

15. While reading the other information in accordance with paragraph 14, the auditor should remain alert for indications that the other information not related to the financial statements or the auditor’s knowledge obtained

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

A41. Other information may include discussion of matters that are not

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<p>in the audit appears to be materially misstated. (Ref: par. A41–A42)</p>	<p>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.</p> <p>A42. Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as:</p> <ul style="list-style-type: none"> • 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.
<p>Responding When a Material Inconsistency Appears to Exist or Other Information Appears to be Materially Misstated</p>	<p>Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated (Ref: par. 16)</p>
<p>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 should discuss the matter with management and, if necessary, perform other procedures to conclude whether: (Ref: par. A43–A47)</p>	<p>A43. 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,</p>

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- (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.

management explanations may indicate reasonable and sufficient grounds for valid differences of judgment.

A44. Conversely, the discussion with management may provide further information that supports the auditor's conclusion that a material misstatement of the other information exists.

A45. 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.

A46. 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.

A47. 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

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	<p>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 a material misstatement of the other information exists. Actions the auditor may then take include one or more of the following:</p> <ul style="list-style-type: none"> • 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.
Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists	Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists
<p>17. If the auditor concludes that a material misstatement of the other information exists, the auditor should request management to correct the other information. If management:</p> <p>(a) Agrees to make the correction, the auditor should determine that the correction has been made; or</p>	

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<p>(b) Refuses to make the correction, the auditor should communicate the matter with those charged with governance and request that the correction be made.</p>	
<p>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 should take appropriate action, including: (Ref: par. A48)</p> <p>(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(d)(ii)); or (Ref: par. A49)</p>	<p><i>Responding When the Auditor Concludes That a Material Misstatement Exists in Other Information Obtained Prior to the Date of the Auditor’s Report</i> (Ref: par. 18)</p> <p>A48. 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.</p> <p>Reporting Implications (Ref: par. 18(a))</p> <p>A49. 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 ques-</p>

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<p>(b) withholding the auditor's report; (Ref: par. A51) or</p> <p>(c) Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: par. A50–A51)</p>	<p>tion the reliability of audit evidence in general.</p> <p>Withdrawal from the Engagement (Ref: par. 18(c))</p> <p>A50. 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.</p> <p><i>Considerations Specific to Governmental Entities</i></p> <p>.A51 In audits of governmental entities, withdrawal from the engagement or withholding the auditor's report may not be possible under law or regulation. In such cases, the auditor may issue a report or written communication to those charged with governance and the appropriate statutory body, if applicable, giving details of the inconsistency.</p>
<p>19. If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor's report, the auditor should:</p> <p>(a) If the other information is corrected, perform the procedures necessary in the circumstances; or (Ref: par. A52)</p>	<p><i>Responding When the Auditor Concludes That a Material Misstatement Exists in Other Information Obtained after the Date of the Auditor's Report</i> (Ref: par. 19)</p> <p>A52. 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</p>

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(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 known users of the auditor's report. (Ref: par. A53–A54)

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.

A53. 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 known users 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.

A54. 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 known users of the auditor's report. 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 SASs 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;

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	<ul style="list-style-type: none"> • Bringing the material misstatement of the other information to the attention of the known users of the auditor’s report; • Communicating with a regulator or relevant professional body about the uncorrected material misstatement; or • Considering the implications for engagement continuance (see also paragraph A50).
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	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: par. 20)
<p>20. If, as a result of performing the procedures in paragraphs 14–16, 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 should respond appropriately in accordance with the other SASs. (Ref: par. A55)</p>	<p>A55. In reading the other information, the auditor may become aware of new information that has implications for:</p> <ul style="list-style-type: none"> • The auditor’s understanding of the entity and its environment 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 <p>¹³ AU-C section 315 (Revised), paragraphs 11, 31, and A1</p> <p>¹⁴ AU-C section 450, <i>Evaluation of Misstatements Identified during the</i></p>

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	<p><i>Audit</i></p> <p>¹⁵ AU-C section 560, paragraphs 10 and 14</p>
Reporting	Reporting (Ref: par. 21–23)
<p>21. The auditor’s report should include an other-matter paragraph with a heading “Other Information”, or other appropriate heading, when, at the date of the auditor’s report the auditor has obtained some or all of the other information. (Ref: par. A56)</p>	<p>A56. While not required, 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 SAS. 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.</p>
<p>22. When the auditor’s report is required to include an other matter paragraph in accordance with paragraph 21, the paragraph should include: (Ref: par. A57)</p> <p>(a) A statement that management is responsible for the other information;</p> <p>(b) An identification of other information, if any, obtained by the auditor prior to the date of the auditor’s report</p> <p>(c) If applicable, a statement that the auditor’s opinion does not cover</p>	<p>A57. Illustrative examples of the “Other Information” section of the auditor's report are included in Appendix.</p>

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<p>the other information (Ref: par. A58)</p> <p>(d) A statement that the auditor does not express an opinion, or any form of assurance on the other information;</p> <p>(e) A description of the auditor’s responsibilities relating to reading, considering and reporting on other information as required by this SAS; (Ref: par. A36) and</p> <p>(f) Either:</p> <p style="padding-left: 20px;">(i) A statement that the auditor has nothing to report; or</p> <p style="padding-left: 20px;">(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.</p>	<p>A58. The statement required by paragraph 22(c) is not applicable if the auditor disclaims an opinion on the financial statements.</p>
<p>23. When the auditor expresses a qualified or adverse opinion in accordance with AU-C section 705,³ the auditor should consider the implications of the matter giving rise to the modification of opinion for the statement required in paragraph 22(e). (Ref: par. A59–A62)</p> <p>³ AU-C section 705 , <i>Modifications to the Opinion in the Independent Auditor’s Report</i></p>	<p><i>Reporting Implications When the Auditor’s Opinion on the Financial Statements Is Qualified or Adverse</i> (Ref: par. 23)</p> <p>A59. A qualified or adverse auditor’s opinion on the financial statements may not have an impact on the statement required by paragraph 22(d) 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 fi-</p>

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financial reporting framework may have no implications for the reporting required under this SAS. In other circumstances, there may be implications for such reporting as described in paragraphs A60–A62.

Qualified Opinion Due to a Material Misstatement in the Financial Statements

A60. 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

A61. 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(d) 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.

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	<p>Adverse Opinion</p> <p>A62. 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(d)(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.</p>
Documentation	
<p>24. In addressing the requirements of AU-C section 230⁴ as it applies to this SAS, the auditor should include in the audit documentation:</p> <ul style="list-style-type: none"> (a) Documentation of the procedures performed under this SAS; and (b) The final version of the other information on which the auditor has performed the work required under this SAS. <p>⁴ AU-C section 230, <i>Audit Documentation</i>, paragraphs 8-11</p>	

Appendix

(Ref: par. A63)

Illustrations of Other- Matter Paragraphs to be Included in Auditor’s Reports Relating to Other Information Included in the Annual Report

- Illustration 1: The auditor has not identified a material misstatement of the other information.
- Illustration 2: The auditor has concluded that a material misstatement of the other information exists.
- Illustration 3: There is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 4: The adverse opinion on the consolidated financial statements also affects the other information.
- Illustration 5: The group auditor makes reference to the audit of the financial statements of a component performed by a component auditor

Illustration 1 – The auditor has not identified a material misstatement of the other information.

Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises the [information included in the X report,² 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 an opinion or any form of assurance on it.

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.

² 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.

Illustration 2: The auditor has concluded that a material misstatement of the other information exists.

Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises [the information included in the X report,³ 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 an opinion or any form of assurance on it.

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 3: There is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises [the information included in the X report,⁴ 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 an opinion or any form of assurance on it.

³ 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.

⁴ 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.

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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 in the Basis for Qualified Opinion paragraph, we were unable to obtain sufficient appropriate evidence about the carrying amount of ABC Company's investment in XYZ Company as of December 31, 20X1 and ABC Company's share of XYZ Company's net income for the year. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to this matter.

Illustration 4: The adverse opinion on the consolidated financial statements also affects the other information.

Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises [the information included in the X report,⁵ 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 an opinion or any form of assurance on it.

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 in the Basis for Adverse Opinion paragraph, ABC Company should have consolidated XYZ Company. 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 5: The group auditor makes reference to the audit of the financial statements of a component performed by a component auditor

⁵ 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.

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Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises the [information included in the X report,⁶ 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 an opinion or any form of assurance on it.

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. However, as described in the Auditor's Responsibility paragraph, we did not audit the financial statements of B Company.

⁶ 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.