



**International Federation of Accountants**

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## Agenda Item

# 4

**Committee:** IAASB  
**Meeting Location:** Madrid, Spain  
**Meeting Date:** September 24–28, 2007

### **Proposed ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements”**

#### **Objectives of Agenda Item**

1. To approve ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”

#### **Task Force Composition**

2. The Task Force members are:
  - Will Rainey (Chair) IAASB Member (supported by Technical Advisor, Jon Grant)
  - Marcel Pheijffer IAASB Member

Redrafting support was provided by the staff of the UK Auditing Practices Board.

#### **Background**

3. The exposure draft of ISA 720 (Redrafted) was approved for issuance at the December 2006 IAASB meeting and published later that month. The comment deadline was March 31, 2007.

#### **Activities Since Last IAASB Discussions**

4. Since the last IAASB discussion the Task Force has met to discuss an analysis of the comment letters received on the exposure draft.

#### **Matters for IAASB Consideration**

5. Forty six comment letters were received on the exposure draft of the proposed redrafted ISA 720. A list of the respondents is included in the Appendix. This paper summarizes the significant comments made and the recommendations of the Task Force in respect of them.

#### **General Comments**

6. Many commentators preface their detailed comments and responses to the specific questions by making general comments indicating the extent of their overall support for the redrafting of the ISA. Of the thirty five commentators making such general

comments twenty eight (61% of total respondents) (80% of those making general comments) expressed quite strong support for the redrafted ISA.

7. Five commentators (DTT, GT, IDW, IOSCO and IRBA) (11% of total respondents) (14% of those making general comments) whilst expressing general support also express significant concerns about particular aspects of the redrafting. The Task Force considered that two commentators (ACCA and EC) (4% of total respondents) (6% of those making general comments) were considered not to be supportive of the proposed redrafted ISA.
8. The following tables set out the general concerns of each of these seven commentators and comments of the Task Force in respect of them.

**CONCERNS EXPRESSED BY THOSE WHO ARE GENERALLY SUPPORTIVE BUT WHO EXPRESS SIGNIFICANT CONCERNS**

<b>Commentator</b>	<b>Concern</b>	<b>Comment</b>
<b>DTT</b>	The order of the requirements makes it difficult to understand which requirements apply in circumstances where the other information is available only after the date of the auditor's report. While paragraphs 14-17 clearly apply in those circumstances, we believe that some readers may infer from the section headings in the proposed standard that those are the only requirements that apply in those circumstances. We believe that paragraphs 6-7, and 11-12 also apply when other information is available after the date of the auditor's report.	The Task Force has addressed this and similar concerns expressed by others through redrafting and restructuring the proposed ISA. This is discussed further at paragraphs 33 to 37 of this note.
<b>GT</b>	Overall we believe the objective to be achieved by the auditor and the related requirements need additional modification and clarification.	The Task Force believes that the proposed redrafting will go a long way to satisfy this commentator.
<b>IDW</b>	The proposed Standard is confusing in respect of "other information" that is subject to audit because, in particular, the requirements and accompanying guidance relating to reporting do not take account of those circumstances where this other information is also subject to audit.	This issue has been discussed by IAASB and the Task Force is satisfied that the scope of the ISA is satisfactory in this regard. Paragraph A2 in particular makes clear that additional responsibilities of auditors

Commentator	Concern	Comment
		with respect to “other information” are outside the scope of ISA 720.
<b>IOSCO</b>	...we have identified some instances of imprecise or unclear language that should be revised before the standard is finalized.	Many of the concerns expressed relate to requirements or guidance in the extant ISA 720 and as such are beyond the scope of a clarity redraft. However, with respect to paragraphs 10 and A8 of the Exposure Draft the Task Force believes that there are grounds for moving guidance material from A8 to requirement paragraph 10. This removes some of the imprecise language referred to by IOSCO.
<b>IOSCO</b>	The existing ISA 720 states that the auditor is to obtain other information “prior to the date of the auditor’s report” (paragraph 9); however, the current ED states in paragraph 7 that such information is to be obtained “on a timely basis” and states that “if it is not possible to obtain such information prior to the date of the auditor’s report, the auditor shall read such information at the earliest practicable opportunity thereafter.” We are concerned that this is a substantive change in an audit requirement...	The Task Force believes that this concern has been addressed by redrafting paragraph 7 of the proposed redrafted ISA. The expression “on a timely basis” has been replaced with “prior to the date of the auditor’s report.”
<b>IRBA</b>	IRBA has made a substantial number of redrafting comments.	The Task Force believes that the redrafting may go some way to satisfying the various concerns of this commentator.

**CONCERNS EXPRESSED BY THOSE CONSIDERED NOT TO BE SUPPORTIVE**

<b>Commentator</b>	<b>Concern</b>	<b>Comment</b>
<b>ACCA</b>	Redrafting has disguised changes to the scope of the ISA and to the auditor's responsibilities towards misstatements in other information.	The Task Force is of the view that a number of the proposed changes may ameliorate many of the concerns of this commentator.
<b>EC</b>	The EC will carefully consider whether ISA 720 should form part of standards to be adopted by the Commission....This ISA, as stated in the objective is oriented towards avoiding the auditor being associated with misleading "other information." We would appreciate seeing more positive signs that this ISA is also designed for the good of users of financial information.	The Task Force is of the view that the proposed redrafting helps demonstrate "positive signs that the ISA is designed for the good of users of financial information."

***Task Force Conclusion***

9. With 80% of those expressing general comments in support of the ED the Task Force has concluded that there is a firm basis for issuing ISA 720 on the basis of the redrafting proposed. This conclusion is reinforced by the fact that of the remaining 20%, represented by seven commentators, only two appear to have serious concerns about the redrafting. Some of these concerns were shared by other respondents but seemed to be given less weight by them. The Task Force believes that the further redrafting of the ISA that it proposes will satisfy many of the concerns of the dissenting and other commentators. The principal changes proposed that it believes will satisfy these commentators are:
- (a) The proposed changes to the wording of the Objective (see paragraphs 11 to 14 of this note);
  - (b) The reinstatement of requirements relating to "material misstatements of fact" rather than "misstatements of fact" (see paragraphs 28 to 29 of this note);
  - (c) Requiring the auditor to make arrangements with the entity to obtain the other information prior to the date of the auditor's report (see paragraphs 30 to 31 of this note);
  - (d) The restructuring of the requirements as between material inconsistencies identified prior to the date of the auditor's report and those identified subsequent to the date of the auditor's report (see paragraphs 33 to 37 of this note); and

- (e) Moving certain of the Application Guidance from paragraph A8 of the ED to be a requirement of paragraph 10 (see paragraphs 38 to 42 of this note).

### **Questions Addressed to Commentators**

10. The Exposure Draft asked three questions of commentators.

#### **RESPONSE TO ED QUESTION 1: IS THE OBJECTIVE TO BE ACHIEVED BY THE AUDITOR, STATED IN THE PROPOSED RE-DRAFTED ISA, APPROPRIATE?**

11. Nineteen commentators (41% of total respondents) (46% of those responding to the question) considered the objective to be appropriate.
12. Twenty two commentators (48% of total respondents) (54% of those responding to the question) considered the objective to be inappropriate. The majority of those commenting, therefore, believe that the objective is inappropriate. Of these fourteen are unhappy with the use of the expression “associated with.” The AICPA, for example, expressed its concern as follows, “...the new language runs to ‘avoidance’ instead of a proactive objective intended to protect the users of the financial statements and the other information.”
13. Eleven commentators are unhappy with the inclusion of the sub-paragraphs (a) and (b) in the objective because they contend that they are too procedural, make the objective too long or duplicate the requirements.

### **Task Force Conclusion**

14. As a majority of those who commented consider that the objective is unsatisfactory in some way the Task Force recommends that the objective be modified to both delete the reference to “auditor association” and to delete the sub-paragraphs (a) and (b). The Task Force recommends that wording along the lines suggested by NIVRA, FEE, EC and AICPA be used for the objective which would read as follows “The objective of the auditor is to respond appropriately when documents containing audited financial statements include other information that could undermine the credibility of those financial statements and the auditor’s report thereon.”

#### **Matter for Consideration by the IAASB:**

Does the IAASB agree with the Task Force conclusion and the proposed revised wording for the objective?

#### **RESPONSE TO ED QUESTION 2: HAVE THE CRITERIA IDENTIFIED BY THE IAASB FOR DETERMINING WHETHER A REQUIREMENT SHOULD BE SPECIFIED BEEN APPLIED APPROPRIATELY AND CONSISTENTLY SUCH THAT THE RESULTING REQUIREMENTS PROMOTE CONSISTENCY IN PERFORMANCE AND THE USE OF PROFESSIONAL JUDGMENT BY AUDITORS?**

15. Thirty commentators (66% of total respondents) (79% of those responding to the question) considered that the criteria had been appropriately applied.
16. Eight commentators (CNCC/CSEOC, EC, FEE, GT, ICAEW, IDW, IRBA, JICPA) considered that the criteria had not been properly applied. A number of

commentators cited the elimination of the concept of materiality as it relates to the auditor's responsibilities regarding misstatements of fact as a reason for their view.

***Task Force Conclusion***

17. A high percentage of respondents believe that the criteria have been applied appropriately and consistently. The concerns of many of those who disagree have been addressed in the redrafting. The Task Force has concluded that there is a significant level of support for its application of the clarity redrafting criteria in redrafting ISA 720.

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the Task Force conclusion?

**RESPONSE TO SPECIFIC REQUEST FOR COMMENT:** THE IAASB WOULD PARTICULARLY WELCOME COMMENT ON THE STATEMENT MADE IN THE SECOND SENTENCE OF PARAGRAPH 2 RELATING TO THE APPLICABILITY OF THE PROPOSED REDRAFTED ISA TO READING OTHER INFORMATION IN DOCUMENTS USED IN SECURITIES OFFERINGS

18. Twenty commentators (43% of total respondents) (57% of those responding to the question) recommended deletion of this sentence. Fifteen commentators (33% of total respondents) (43% of those responding to the question) supported its retention. However, only four of these fifteen supported retention without some modification of either the wording or the location of the sentence within the ISA.

***Task Force Conclusion***

19. The Task Force proposes that this sentence be deleted from ISA 720 on the grounds that a majority of commentators commenting on the question recommend its deletion and many of those who support its retention only support it on the basis of a number of different proposed modifications.

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the Task Force conclusion?

**Scope of this ISA**

20. A substantial number of comments were received concerning the scope paragraphs. In response to these comments the Task Force recommends that a number of changes be made to this section of the ISA. In summary these are:
- In paragraph 1 in response to a drafting suggestion by GT the words “and the auditor’s report thereon” are added to qualify the expression “audited financial statements.” Similar changes are pervasive throughout the ISA. The Task Force believes that this change is useful in clarifying that ISA 720 only applies to documents in which the auditor’s report is reproduced.
  - The second sentence of paragraph 1 has been deleted primarily because it has become the objective of the ISA (see paragraphs 11 to 14 of this note). Deletion also responds to the comment of IDW that this sentence, strictly speaking, does not address the scope of the ISA.

- With respect to the second paragraph a number of commentators (DTT, EC, GT and IRBA) expressed concern about the use of the term “owners” rather than, for example, “users.” The use of the word “owners” was a deliberate decision of the IAASB. As the IAASB’s decision took account of the arguments put forward by this relatively small number of commentators the Task Force is not recommending a change in this respect.
- A number of commentators (BCBS, CICA, DTT, GT, IRBA and JICPA) expressed concern about the expression “provided to owners on the same terms and at the same time as the financial statements.” These words were derived by IAASB from IFRS 7 which uses them in a similar context. A number of commentators did not consider the analogy with IFRS 7 to be valid and in particular did not believe the phrase “on the same terms” was appropriate. In response to these concerns the Task Force recommends that the words “when such financial statements are first issued to owners (or similar stakeholders) of the entity” suggested by CICA be used in place of the wording used in the ED. The proposed wording maintains the meaning that IAASB was intending to convey without having the disadvantages identified with respect to the phraseology of IFRS 7.
- As discussed in paragraphs 18 to 19 above the second sentence of the second paragraph relating to the applicability of the ISA to securities offerings has been deleted.

#### APPLICATION MATERIAL PARAGRAPH A1 ELEVATED INTO SCOPE SECTION

21. Six commentators (CNCC/CSOEJC, EC, FEE, ICAEW, IDW and NAO) express the view that paragraph A1 is of such importance that it should be elevated from the Application Material into either the Scope or Requirements sections. Further comments made by three commentators (AICPA, BDO and IRBA) with respect to paragraph 1 of the ISA support the view of the six commentators expressed in the context of A1. In view of the broad support for such a change and the views expressed by other commentators that there should not be Application Material relating to the Scope of the ISA the Task Force recommends that this change be made.

#### **Matter for Consideration by the IAASB:**

Does the IAASB agree with the recommendations of the Task Force with respect to the redrafting of the Scope section?

#### **Definitions**

22. The Exposure Draft provides definitions of three terms used in the proposed redrafted ISA. Based on comments received the Task Force recommends that a number of changes be made to these definitions.

#### OTHER INFORMATION

23. The pervasive drafting change suggested by GT to add the words “and the auditor’s report thereon has been made (see paragraph 20 above). To avoid repetition with

the scope paragraphs the words “that is provided to the owners on the same terms and at the same time as the financial statements” have been deleted. GT recommended this deletion because the phrase relates more to the applicability of the ISA rather than the definition.

24. Paragraph A6 of the Application Material is related to the definition of “Other Information” and ten commentators provided comments on this paragraph. In summary the recommendations of commentators were:
- (a) Three commentators (ACAG, AGNZ and NZICA) objected to the third bullet excluding from the definition of “other information” the entire content of the entity’s web site;
  - (b) Two commentators (CICA and EYG) considered that paragraph A6 should come earlier in the ISA (CICA in the definition of other information and EYG in paragraph 1);
  - (c) IRBA recommend that the paragraph be deleted as they believe it is more appropriate to explain what the definition is intended to include rather than what it is not intended to include; and
  - (d) Other commentators suggested changes that were clearly beyond the scope of a clarity redraft or were expressed in a way that did not provide an insight as to what precisely the commentator had in mind.

***Task Force Conclusion***

25. With respect to paragraph A6 the Task Force recommends that no change be made in response to these comments. This paragraph was drafted by the IAASB in a meeting and the Task Force is of the view that there is insufficient consistency in the comments made to warrant recommending changes.

**INCONSISTENCY**

26. The extant ISA 720 and the Requirements in the proposed redraft refer to “material inconsistencies.” When finalizing the Exposure Draft the IAASB decided that there should be a defined term of “inconsistency” with a following sentence that describes the threshold which determines what constitutes a “material inconsistency.” Four commentators (BCBS, IRBA, JICPA and NZICA) suggested either that there be separate definitions of “consistency” and “material inconsistency” or to have a definition of “material inconsistency” only.

***Task Force Conclusion***

27. In view of the small number of commentators making these comments the Task Force recommends that no change be made. It will be seen from the following discussion of the definition of “Misstatement of Fact” that the Task Force does recommend aligning the presentation of the definitions of “inconsistency” and “misstatement” such that each definition is followed by a sentence explaining the materiality threshold.

#### MISSTATEMENT OF FACT

28. In the Exposure Draft the definition of “material misstatement of fact” in the extant ISA 720 became the definition of “misstatement of fact.” Hence use of the expression “material” was considered unnecessary as all “misstatements of fact” would, by implication, be material. Fifteen commentators (ACAG, ACCA, APB, BCBS, CEBS, EC, FEE, GT, IAIS, IDW, IOSCO, IRE, JICPA, NIVRA and NZICA) expressed serious reservations about the proposed change in terminology in the requirements from “material misstatement of fact” to “misstatement of fact.”

#### *Task Force Conclusion*

29. As the fifteen commentators reflect the views of important constituencies of the IAASB the Task Force recommends that the requirements should relate to “material misstatements of fact.” This is accomplished as follows:
- (a) The proposed definition of “Misstatement of fact” (rather than “Material misstatement of fact”) is retained in order to align the presentation of the definitions of “inconsistency” and “misstatement of fact;”
  - (b) The following sentence is added to the definition: “The existence of a material misstatement of fact may undermine the credibility of the audited financial statements and of the auditor’s report thereon.” This explains what the threshold is that makes a misstatement a material misstatement and aligns the presentation with the definition of inconsistency; and
  - (c) The heading to requirements 11 to 13 is changed to “Material misstatements of fact” with conforming changes throughout the document. In particular the requirements are expressed in terms of “material misstatements.”

#### **Matter for Consideration by the IAASB:**

Does the IAASB agree with the recommendations of the Task Force to revert to the term “material misstatement of fact” in the requirements and with respect to the redrafting of the Definitions?

#### **Amendments to paragraph 7 of the Exposure Draft**

30. Four commentators AICPA, CICA, ICAIre and IOSCO expressed concern about the requirement in paragraph 7 for the auditor to make arrangements to obtain the other information “on a timely basis.” IOSCO was particularly critical and commented that the extant ISA 720 states that the auditor should obtain the other information “prior to the date of the auditor’s report.”<sup>1</sup> The Task Force has been persuaded by the views of these commentators and changed the proposed requirement to require the auditor to obtain the other information “prior to the date of the auditor’s report” rather than “on a timely basis.”

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<sup>1</sup> The precise wording of the guidance provided by paragraph 9 of the extant ISA 720 is that the auditor “needs to make appropriate arrangements with the entity to obtain such information prior to the date of the auditor’s report.”

31. It should be noted that the proposed requirement is expressed in terms of “making appropriate arrangements with the entity.” This is not necessarily a requirement for the other information to be obtained by the auditor before the date of the auditor’s report. The next sentence in paragraph 7 of the proposed redrafted ISA addresses the circumstances where it has not been possible for the other information to be obtained by the auditor. The Task Force is of the view that these two sentences do not conflict with one another and do not, therefore, reflect mutually exclusive circumstances.
32. In response to a drafting suggestion from the JICPA the wording in paragraph 7 has been simplified as follows:

“...to the date of the auditor’s report, the auditor shall read such other information as soon as ~~at the earliest practicable opportunity thereafter.~~”

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the proposed redrafting of paragraph 7?

**The flow of the requirement paragraphs with respect to “other information that becomes available after the date of the auditor’s report.”**

33. The flow of the requirements paragraphs with respect to “other information that becomes available after the date of the auditor’s report” caused concern to a number of commentators. The two principal concerns were:
- (a) three of them (AC, CICA and ICAIre) express the view that “other information” should all be available to the auditor prior to the audit report being signed; and
  - (b) nine commentators suggested changes to the structuring of the document so that it would be clearer as to which of the requirements applied to other information obtained before and after the audit report is signed. Seven commentators (APB, BCBS, CEBS, GT, HKICPA, IRBA and KPMG) favored a restructuring that would make clear that paragraphs 14 to 17 of the Exposure Draft are the only requirements relating to other information obtained after the date of the auditor’s report. Two commentators (AICPA and DTT) considered that the document should be restructured to make clear that paragraphs 14 to 17 are requirements that are additional to certain of the requirements set out in paragraphs 8 to 13.

***Task Force Conclusion***

34. With respect to point (a) the Task Force believes that the extant ISA 720 is clearly drafted on the presumption that “other information” may become available after the signing of the audit report. The Task Force considers that it would be beyond the scope of a clarity redraft to redraft the ISA to exclude this possibility. This matter has been previously discussed by IAASB and the Task Force does not believe that it has the latitude to make redrafting changes in this respect. In this connection the Task Force notes that, at its July 2007 meeting, the IAASB proposed that guidance

be provided in proposed ISA 210 (Redrafted), “Agreeing the Terms of Audit Engagements” along the following lines:

“...an audit engagement letter may make reference to...the agreement of management or, where appropriate, those charged with governance, to make available to the auditor draft financial statements and any accompanying other information in time to allow the auditor to complete the audit in accordance with the proposed timetable.”

35. With respect to point (b) the Task Force concluded that it should seek to restructure the ISA because:
- (a) the structure of the ISA has been the subject of discussion at two meetings of IAASB; and
  - (b) commentators expressed their views quite strongly on this matter and their points were well made.
36. The Task Force recommends that the flow of the document be amended as follows to meet the concerns of commentators:
- (a) paragraphs 6 and 7 in the revised ED under the heading “Reading Other Information” remain as they were in the Exposure Draft;
  - (b) following paragraph 8 under the main heading “Material Inconsistencies” are two subheadings relating to those inconsistencies identified in other information obtained prior to and subsequent to the date of the auditor’s report. Paragraphs 15, 16 and 17 from the Exposure Draft are moved forward under the second sub-heading and paragraph 14 from the Exposure Draft can be deleted as it becomes unnecessary (it repeats paragraph 8); and
  - (c) the requirements relating to material misstatements of fact remain unaltered because they apply equally to misstatements identified in all other information regardless of whether it is obtained before or after the date of the audit report.
37. The Task Force believes that the redrafting has the following benefits:
- (a) The use of sub-headings more clearly signal which requirements apply to which circumstance;
  - (b) All the requirements relating to inconsistencies are in a discrete section located before the section on material misstatements of fact; and
  - (c) It enables a duplicative requirement paragraph to be deleted from the ISA.

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the restructuring of the ISA proposed by the Task Force with respect to the flow of the requirement paragraphs with respect to “other information that becomes available after the date of the auditor’s report?”

**Relationship of the requirements in paragraph 10 of the Exposure Draft and the Application Material in paragraph A8**

38. Ten commentators (AICPA, BDO, CNCC/CSOEJC, FEE, HKICPA, ICAEW, ICJCE, IOSCO, NAO and PwC) have expressed concern about the interrelationship of paragraphs 10 and A8 in the Exposure Draft. The concern is expressed by BDO as follows, “We do not consider that paragraph 10 has been drafted in line with the clarity principles. The requirement instructs the auditor to include an “other matters” paragraph in their audit report, or to take other appropriate action. It is unclear why “including an ‘other matters’ paragraph has been singled out amongst the other alternatives.”
39. The adoption of the clarity conventions, in this instance, seems to obscure rather than clarify what was intended in the drafting of the extant ISA 720. What became paragraphs 10 and A8 in the Exposure Draft is expressed in one paragraph (13) of the extant ISA 720. This paragraph includes both bold and grey type text and as a result the intention of the drafters is clearer. The intention is that the “Other matters” option is not just any option from a list of possibilities but the only possible option when the auditor decides to continue with the engagement and to report.

***Task Force Conclusion***

40. The IAASB has debated the content of the Requirement paragraphs previously, and decided not to deviate from the Requirements in the extant ISA. However, the Task Force recommends, in view of the substantial number of commentators expressing concern, that an amendment is made along the lines suggested by many of these commentators.
41. It is proposed that the Requirement be amended as follows:

When revision of the other information is necessary and the entity refuses to make the revision, the auditor shall either include in the auditor’s report an Other Matter(s) paragraph describing the material inconsistency, withhold its report or withdraw from the engagement.

42. Withholding of the report and withdrawing from the engagement are cited as examples of other possible action in paragraph A8 of the Exposure Draft and in the extant ISA 720. It could be argued that the proposed redrafting removes the possibility of any other options that the auditor might take. However, as the Task Force could not think of any other possibilities this may only be a theoretical concern.

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the rewording of the Requirement proposed by the Task Force?

**Actions required to be taken by an auditor in response to a material inconsistency or a material misstatement of fact**

43. Five commentators (CEBS, CICA, IAIS, ICAZ and IOSCO) point out that the requirements of paragraphs 10 and 13 in the Exposure Draft provide for the auditor to take different paths when the entity refuses to amend other information arising from a material inconsistency as compared to arising from a material misstatement of fact. The differences are illustrated in the following table:

<i>Material Inconsistency (Para 10)</i>	<i>Misstatement of Fact (Para 13)</i>
<b>Include an “other matters” paragraph describing the material inconsistency (10); or</b>	-
<b>take other appropriate action (10)</b>	<b>...the auditor shall take further appropriate action (13)</b>
Not issuing the report (A8); or	-
Withdrawing from the engagement (A8).	-
-	Notifying those charged with governance in writing of the auditor’s concern (A11)
The auditor may base the decision on what further action to take on advice from the auditor’s legal counsel. (A8)	Obtaining legal advice (A11)

44. CEBS, for example, comments “there is no justification for the auditor to take different paths” and recommend that the procedures laid out in paragraph 10 should apply to both scenarios.

***Task Force Conclusion***

45. The Task Force has sympathy with the views of these five commentators (and originally proposed to IAASB greater alignment between the responses to a

material inconsistency and a material misstatement of fact). The Task Force believes that the most significant anomaly relates to the absence of guidance to notify those charged with governance in relation to material inconsistencies. Consequently it recommends adding the following sentence to paragraph A6: “Other appropriate action may include notifying those charged with governance in writing of the auditor’s concern.” This redrafting would align more closely the possible auditor’s actions with respect to material inconsistencies and material misstatements of fact.

**Matter for Consideration by the IAASB:**

Does the IAASB agree with the change that the Task Force proposes with respect to paragraph A6?

**Material Presented**

Agenda Item 4-A Proposed ISA 720 (Redrafted) (**MARK UP BASED ON EXPOSURE DRAFT**)  
(Pages 2599 – 2606)

Agenda Item 4-B Proposed ISA 720 (Redrafted) (**CLEAN**)  
(Pages 2607– 2612)

**Action Requested**

The IAASB is asked to consider the Task Force’s recommendations with respect to the comments received on the exposure draft and to approve the proposed redrafted ISA to be issued as a final ISA.

*Appendix*

**List of Respondents**

#	Ref	Respondent	Group
1	AC	Audit Commission	Governmental
2	ACAG	Australasian Council of Auditors General	Governmental
3	ACCA	The Association of Chartered Certified Accountants	Member Body
4	AGNZ	Office of the Auditor-General of New Zealand	Governmental
5	AICPA	American Institute of Certified Public Accountants	Member Body
6	APB	Auditing Practices Board (United kingdom and Ireland)	Other
7	AUASB	Australian Auditing and Assurance Standards Board	Other
8	BCBS	Basel Committee on Banking Supervision	Regulator
9	BDO	BDO Global Coordination BV	Firm
10	CEBS	Committee of European Banking Supervisors	Regulator
11	CICA	The Canadian Institute of Chartered Accountants	Member Body
12	CIPFA	Chartered Institute of Public Finance and Accountancy	Member Body
13	CNCC/ CSOEJC	Compagnie Nationale des Commissaire aux Comptes + Conseil Superieur de l'Order des Experts-Compatables	Member Body
14	DTT	Deloitte Touche Tohmatsu	Firm
15	EC	European Commission	Regulator
16	EYG	Ernst & Young Global	Firm
17	FAR SRS	FAR SRS (Swedish Accountancy Profession)	Member Body
18	FEE	Federation des Experts Comptables Europeens	Other
19	FSR	Foreningen af Statsautoriserede Revisorer	Member Body
20	GT	Grant Thornton International	Firm
21	HKICPA	Hong Kong Institute of Certified Public Accountants	Member Body
22	IAIS	International Association of Insurance Supervisors	Regulator
23	ICAEW	Institute of Chartered Accountants in England & Wales	Member Body
24	ICAI	Institute of Chartered Accountants of India	Member Body
25	ICAIre	Institute of Chartered Accountants in Ireland	Member Body
26	ICAP	Institute of Chartered Accountants of Pakistan	Member Body
27	ICAS	Institute of Chartered Accountants of Scotland	Member Body
28	ICAZ	Institute of Chartered Accountants of Zimbabwe	Member Body
29	ICJCE	Instituto de Censores Jurados de Cuentas de Espana	Member Body
30	ICPAK	Institute of Certified Public Accountants of Kenya	Member Body
31	ICPAS	Institute of Certified Public Accountants of Singapore	Member Body
32	IDW	Institut der Wirtschaftsprufer	Member Body
33	IOSCO	International Organisation of Securities Commissions	Regulator
34	IRBA	Independent Regulatory Board for Auditors, South Africa	Other
35	IRE	Institut des Reviseurs d'Entreprises	Member Body
36	JICPA	Japanese Institute of Certified Public Accountants	Member Body
37	KPMG	KPMG	Firm

38	M&G	Mazars	Firm
39	NAO	National Audit Office, UK	Governmental
40	NIVRA	Koninklijk Nederlands Instituut van Registeraccountants (Royal NIVRA)	Member Body
41	NZICA	New Zealand Institute of Chartered Accountants	Member Body
42	PAS	Provincial Auditor Saskatchewan	Governmental
43	PwC	PricewaterhouseCoopers	Firm
44	SNAO	Swedish National Audit Office	Governmental
45	WAO	Wales Audit Office	Governmental
46	ZICA	Zambia Institute of Chartered Accountants	Member Body

### Summary of number of respondents by Group

IFAC member bodies:	23
Regulators:	5
Firms:	7
Governmental:	7
Others (standard setters, industry, etc.):	<u>4</u>
Total	<u>46</u>