

**Issues Paper – Matters Other Than Those Related to General Drafting
Consistency****I. Application of ISAs to Other Circumstances**

1. ISAs 560 and 720 include guidance explaining that they do not address additional responsibilities of the auditor that may exist in connection with engagements or circumstances such as the offering of securities. (The relevant paragraphs of ISAs 560 and 720 are shown below.) Such material may create the impression that it is only the subject matter of these ISAs where there may be additional responsibilities of the auditor in connection with such engagements or circumstances. This may not be the case in all circumstances, or valid as new ISAs are developed. Further, it is possible that one could be left with the impression that consideration has been given to such circumstances in the drafting of these ISA, which is not the case.
2. There is an argument, therefore, that a general statement about the applicability of the ISA in other such circumstances should be considered. Such a statement could further make clear that the ISAs have not been drafted for use in circumstances other than audits of financial statements, though the auditor may bear in mind the provisions of the ISAs to the extent they may be relevant and helpful in the circumstances. References in the individual ISAs could then be removed, thereby ensuring no potential misinterpretation or inconsistency in drafting.
3. The following changes are proposed:

ISA 200

2. ISAs are written in the context of an audit of financial statements by an auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. ISAs do not address the responsibilities of the auditor that may exist in legislation, regulation or otherwise in connection with, for example, the offering of securities to the public, although the auditor may find aspects of the ISAs helpful in fulfilling certain of those responsibilities.

ISA 560

- ~~A.1 When the audited financial statements are included in other documents subsequent to the issuance of the financial statements, the auditor may have additional responsibilities relating to subsequent events that the auditor may need to consider, such as legal or regulatory requirements involving the offering of securities to the public in jurisdictions in which the securities are being offered. For example, the auditor may be required to perform additional audit procedures to the date of the final offering document. These procedures may include those referred to in paragraphs 6 and 7 performed up to a date at or near the effective date of the final offering document, and reading the offering document to assess whether the other information in the offering document is consistent with the financial information with which the auditor is associated.~~

ISA 720

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility in relation to other information in documents containing audited financial statements and the auditor’s report thereon. In the absence of any separate requirement in the particular circumstances of the engagement, the auditor’s opinion does not cover other information and the auditor has no specific responsibility for determining whether or not other information is properly stated. However, the auditor reads the other information because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information. (Ref: Para. A1)
 2. In this ISA “documents containing audited financial statements” refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing audited financial statements and the auditor’s report thereon. ~~This ISA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements, such as those used in securities offerings.~~ (Ref: Para. A2-A4)
- A1. The auditor may have additional responsibilities, through statutory or other regulatory requirements, in relation to other information that are beyond the scope of this ISA. For example, some jurisdictions may require the auditor to apply specific procedures to certain of the other information such as required supplementary data or to express an opinion on the reliability of performance indicators described in the other information. When there are such obligations, the auditor’s additional responsibilities are determined by the nature of the engagement and by law, regulation and professional standards. If such other information is omitted or contains deficiencies, the auditor may be required by law or regulation to refer to the matter in the auditor’s report.”

II. Corrections and Other Proposed Amendments

4. The following corrections are proposed:
 - (a) ISA 330, paragraph A4:

“For example ~~(as appropriate and notwithstanding the requirements of this ISA)~~³, the auditor may determine that:”

 - (a) Only by performing...
 - (c) A combined approach of using both tests of controls and substantive procedures is an effective approach.

However, as required by paragraph 20, irrespective of the approach selected, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure.”

~~Fn 3. For example, as required by paragraph 20, irrespective of the approach selected, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure.~~

(Purpose of change: To remove “notwithstanding” as it results in exclusion of the requirements of ISA 330, and to move substantive text in the footnote to the body of the ISA.)

- (a) ISA 315, paragraph A45:

“...However, in a small owner-managed entity, the owner-manager⁸ may be able to exercise more effective oversight than in a larger entity. This oversight may compensate for the generally more limited opportunities for segregation of duties.

~~Fn 8 Owner manager refers to the proprietor of an entity who is involved in running the entity on a day-to-day basis.”~~

(Purpose of change: To remove the footnote as the term ‘owner-manager’ is explained in paragraph A66 of ISA 200.)

- (a) ISA 315, paragraph A93:

“...and apply to the processing of transactions by individual applications”

(Purpose of change: To link to the processing of transactions as indicated in the 3rd sentence in A93, and provide contrast to general controls which A92 states as relating to ‘many applications’.)

- (a) ISA 240, paragraph A18:

“ISA 315 and ISA 610¹⁷ establishes requirements and provides guidance in audits of those entities that have an internal audit function.¹⁷ In carrying out the requirements of those that ISAs in the context of fraud, the auditor may inquire about specific internal audit activities including, for example:

- The procedures performed, if any, by the internal auditors during the year to detect fraud.
- Whether management has satisfactorily responded to any findings resulting from those procedures.

Fn 17 ISA 315, paragraph 22a, and ISA 610, “Using the Work of Internal Auditors.”

(Purpose of change: To align with final ISAs 315 and 610.)

- (a) ISA 540, paragraph A122:

“(see related discussion in paragraph A94~~5~~).”

(Purpose of change: To correct references.)

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