

**ASA 720**  
(October 2009)

**Auditing Standard ASA 720**  
*The Auditor's Responsibilities  
Relating to Other Information  
in Documents Containing an  
Audited Financial Report*

Issued by the Auditing and Assurance Standards Board



**Australian Government**

---

**Auditing and Assurance Standards Board**

## **Obtaining a Copy of this Auditing Standard**

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au)

### **Contact Details**

Auditing and Assurance Standards Board  
Level 7  
600 Bourke Street  
Melbourne Victoria 3000  
AUSTRALIA

Phone: (03) 8080 7400  
Fax: (03) 8080 7450  
E-mail: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)

**Postal Address:**  
PO Box 204  
Collins Street West  
Melbourne Victoria 8007  
AUSTRALIA

### **COPYRIGHT**

© Commonwealth of Australia 2009. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Executive Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne Victoria 8007. Otherwise, no part of the Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-4393

**Auditing Standard ASA 720**  
*The Auditor's Responsibilities Relating to Other Information in Documents  
Containing an Audited Financial Report*

---

## CONTENTS

PREFACE

AUTHORITY STATEMENT

	<i>Paragraphs</i>
<b>Application</b> .....	Aus 0.1-Aus 0.2
<b>Operative Date</b> .....	Aus 0.3
<b>Introduction</b>	
Scope of this Auditing Standard .....	1-2
Effective Date .....	3
<b>Objective</b> .....	4
<b>Definitions</b> .....	5
<b>Requirements</b>	
Reading Other Information .....	6-7
Material Inconsistencies .....	8-13
Material Misstatements of Fact .....	14-16
<b>Application and Other Explanatory Material</b>	
Scope of this Auditing Standard .....	A1-A2
Definition of Other Information .....	A3-A4
Reading Other Information .....	A5
Material Inconsistencies .....	A6-A9
Material Misstatements of Fact .....	A10-A11
<b>Conformity with International Standards on Auditing</b>	

## PREFACE

### **Reasons for Issuing Auditing Standard ASA 720** ***The Auditor's Responsibilities Relating to Other*** ***Information in Documents Containing an Audited*** ***Financial Report***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents  
Containing an Audited Financial Report***

---

## **Main Features**

This Auditing Standard establishes requirements and provides application and other explanatory material regarding the auditor's responsibilities relating to other information in documents containing an audited financial report and the auditor's report thereon.

This Auditing Standard:

- (a) requires the auditor to read the other information to identify material inconsistencies, if any, with the audited financial report;
- (b) requires the auditor to make appropriate arrangements with management to obtain the other information prior to the date of the auditor's report;
- (c) requires the auditor to determine whether the audited financial report or the other information needs to be revised when material inconsistencies are identified; and
- (d) describes the auditor's responsibilities when material inconsistencies are identified.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents***  
***Containing an Audited Financial Report***

---

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: 27 October 2009

M H Kelsall  
Chairman - AUASB

## AUDITING STANDARD ASA 720

### *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*

#### Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
  - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

#### Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

#### Introduction

##### Scope of this Auditing Standard

1. This Auditing Standard deals with the auditor's responsibilities relating to other information in documents containing an audited financial report 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 report may be undermined by material inconsistencies between the audited financial report and other information. (Ref: Para. A1)

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

2. In this Auditing Standard “documents containing an audited financial report” refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing an audited financial report and the auditor’s report thereon. This Auditing Standard may also be applied, as necessary in the circumstances, to other documents containing an audited financial report, such as those used in securities offerings.<sup>1</sup> (Ref: Para. A2)

**Effective Date**

3. [Deleted by the AUASB. Refer Aus 0.3]

**Objective**

4. The objective of the auditor is to respond appropriately when documents containing an audited financial report and the auditor’s report thereon include other information that could undermine the credibility of that financial report and the auditor’s report.

**Definitions**

5. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) Other information means financial and non-financial information (other than the financial report and the auditor’s report thereon) which is included, either by law, regulation or custom, in a document containing an audited financial report and the auditor’s report thereon. (Ref: Para. A3-A4)
  - (b) Inconsistency means other information that contradicts information contained in the audited financial report. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor’s opinion on the financial report.
  - (c) Misstatement of fact means other information that is unrelated to matters appearing in the audited financial report that is incorrectly stated or presented. A material

---

<sup>1</sup> See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 2.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

misstatement of fact may undermine the credibility of the document containing the audited financial report.

## **Requirements**

### **Reading Other Information**

6. The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial report.
7. The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable.  
(Ref: Para. A5)

### **Material Inconsistencies**

8. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial report or the other information needs to be revised.

#### *Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report*

9. If revision of the audited financial report is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ASA 705.<sup>2</sup>
10. If revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity;<sup>3</sup> and
  - (a) Include in the auditor's report an Other Matter(s) paragraph describing the material inconsistency in accordance with ASA 706;<sup>4</sup> or

---

<sup>2</sup> See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

<sup>3</sup> See ASA 260 *Communication with Those Charged with Governance*, paragraph 13.

<sup>4</sup> See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 8.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

- (b) Withhold the auditor's report; or
- (c) Withdraw from the engagements, where withdrawal is possible under applicable law or regulation.  
(Ref: Para. A6-A7)

Aus 10.1 Withholding the auditor's report is not permitted under the *Corporations Act 2001*.

***Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report***

- 11. If revision of the audited financial report is necessary, the auditor shall follow the relevant requirements in ASA 560.<sup>5</sup>
- 12. If revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)
- 13. If revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action.  
(Ref: Para. A9)

**Material Misstatements of Fact**

- 14. If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A10)
- 15. If, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
- 16. If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance, unless all of

---

<sup>5</sup> See ASA 560 *Subsequent Events*, paragraphs 10-17.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents  
Containing an Audited Financial Report***

---

those charged with governance are involved in managing the entity,  
of the auditor's concern regarding the other information and take  
any further appropriate action. (Ref: Para. A11)

\* \* \*

For approval

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

## **Application and Other Explanatory Material**

### **Scope of this Auditing Standard**

*Additional Responsibilities, through Statutory or Other Regulatory Requirements, in Relation to Other Information* (Ref: Para. 1)

- 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 Auditing Standard. 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. Where 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.

*Documents Containing an Audited Financial Report* (Ref: Para. 2)

### Considerations Specific to Smaller Entities

- A2. Unless required by law or regulation, smaller entities are less likely to issue documents containing an audited financial report. However, an example of such a document would be where a legal requirement exists for an accompanying report by those charged with governance. Examples of other information that may be included in a document containing the audited financial report of a smaller entity are a detailed income statement and a management report.

### **Definition of Other Information** (Ref: Para. 5(a))

- A3. Other information may comprise, for example:
- A report by management or those charged with governance on operations.
  - Financial summaries or highlights.

---

\* See, for example, ASIC Regulatory Guide 34 *Auditors' obligations: reporting to ASIC* (December 2007), which provides guidance on the auditor's responsibilities under sections 311, 601HG and 990K of the *Corporations Act 2001*.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

- Employment data.
  - Planned capital expenditures.
  - Financial ratios.
  - Names of officers and directors.
  - Selected quarterly data.
- A4. For purposes of the Australian Auditing Standards, other information does not encompass, for example:
- A press release or a transmittal memorandum, such as a covering letter, accompanying the document containing the audited financial report and the auditor's report thereon.
  - Information contained in analyst briefings.
  - Information contained on the entity's website.

**Reading Other Information** (Ref: Para. 7)

- A5. Obtaining the other information prior to the date of the auditor's report enables the auditor to resolve possible material inconsistencies and apparent material misstatements of fact with management on a timely basis. An agreement with management as to when the other information will be available may be helpful.

**Material Inconsistencies**

*Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report* (Ref: Para. 10-Aus 10.1)

- A6. When management refuses to revise the other information, the auditor may base any decision on what further action to take on advice from the auditor's legal counsel.
- Aus A6.1 For example, the auditor may be required to obtain consent from the Australian Securities and Investments Commission (ASIC) prior to resigning from certain audits.\*

---

\* See, for example, ASIC Regulatory Guide 26 *Resignation of Auditors* (June 1992).

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

Considerations Specific to Public Sector Entities

- A7. In the public sector, withdrawal from the engagement or withholding the auditor's report may not be options. In such cases, the auditor may issue a report to the appropriate statutory body giving details of the inconsistency.

*Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report* (Ref: Para. 12-13)

- A8. When management agrees to revise the other information, the auditor's procedures may include reviewing the steps taken by management to ensure that individuals in receipt of the previously issued financial report, the auditor's report thereon, and the other information are informed of the revision.
- A9. When management refuses to make the revision of such other information that the auditor concludes is necessary, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

**Material Misstatements of Fact** (Ref: Para. 14-16)

- A10. When discussing an apparent material misstatement of fact with management, the auditor may not be able to evaluate the validity of some disclosures included within the other information and management's responses to the auditor's enquiries, and may conclude that valid differences of judgement or opinion exist.
- A11. When the auditor concludes that there is a material misstatement of fact that management refuses to correct, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

**Auditing Standard ASA 720**  
***The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report***

---

**Conformity with International Standards on Auditing**

This Auditing Standard conforms with International Standard on Auditing ISA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix "Aus".

- The following requirement is additional to ISA 720:
  - Withholding the auditor's report is not permitted under the *Corporations Act 2001*. (Ref: Para. Aus 10.1)

Compliance with this Auditing Standard enables compliance with ISA 720.