

November 2019

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## ● INTERNATIONAL STANDARD ON ● AUDITING (UK) 720

(REVISED November 2019) :

The auditor's responsibilities relating to  
other information

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**INTERNATIONAL STANDARD ON AUDITING (UK) 720**  
**(REVISED November 2019)**

**THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER  
INFORMATION**

(Effective for audits of financial statements for periods commencing on or after 15 December 2019)

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## Appendix 1: Examples of Amounts or Other Items that May be Included in the Other Information

International Standard on Auditing (UK) (ISA (UK)) 720 (Revised November 2019), *The Auditor's Responsibilities Relating to Other Information*, should be read in conjunction with ISA (UK) 200 (Revised June 2016), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)*.

## Introduction

### Scope of this ISA (UK)

1. This International Standard on Auditing (UK) (ISA (UK)) deals with the auditor's responsibilities relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. An entity's annual report may be a single document or a combination of documents that serve the same purpose.
- 1-1. This ISA (UK) also deals with certain additional obligations imposed by law or regulation on the auditor to report on statutory other information, based on the work undertaken in the course of the audit.
2. This ISA (UK) is written in the context of an audit of financial statements by an independent auditor. Accordingly, the objectives of the auditor in this ISA (UK) are to be understood in the context of the overall objectives of the auditor as stated in paragraph 11 of ISA (UK) 200 (Revised June 2016).<sup>1</sup> The requirements in the ISAs (UK) are designed to enable the auditor to achieve the objectives specified in the ISAs (UK), and thereby the overall objectives of the auditor. The auditor's opinion on the financial statements does not cover the other information, nor does this ISA (UK) require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.
3. This ISA (UK) requires the auditor to read and consider the other information because other information that is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit may indicate that there is a material misstatement of the financial statements or that a material misstatement of the other information exists, either of which may undermine the credibility of the financial statements and the auditor's report thereon. Such material misstatements may also inappropriately influence the economic decisions of the users for whom the auditor's report is prepared.
4. This ISA (UK) may also assist the auditor in complying with relevant ethical requirements<sup>2</sup> that require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.
5. Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail, about amounts or other items in the financial statements, and other amounts or other items about which the auditor has obtained knowledge in the audit. Other information may also include other matters.
6. The auditor's responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor's report.

<sup>1</sup> ISA (UK) 200 (Revised June 2016), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)*.

<sup>2</sup> International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), paragraph 110.2.

example, depending on law, regulation or custom in a particular jurisdiction, one or more of the following documents may form part of the annual report:

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

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

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

- Separate industry or regulatory reports (for example, capital adequacy reports), such as may be prepared in the banking, insurance, and pension industries.
- Corporate social responsibility reports.
- Sustainability reports.
- Diversity and equal opportunity reports.
- Product responsibility reports.
- Labor practices and working conditions reports.
- Human rights reports.

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

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

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

- Materiality is considered in the context of the common information needs of users as a group. The users of the other information are expected to be the same as

the users of the financial statements as such users may be expected to read the other information to provide context to the financial statements.

- Judgments about materiality take into account the specific circumstances of the misstatement, considering whether users would be influenced by the effect of the uncorrected misstatement. Not all misstatements will influence the economic decisions of users.
- Judgments about materiality involve both qualitative and quantitative considerations. Accordingly, such judgments may take into account the nature or magnitude of the items that the other information addresses in the context of the entity's annual report.

A7-1. For some entities, UK legislation sets out those documents that form part of the annual report and the information that is required to be included in the annual report (excluding the financial statements and the auditor's report). The relevant legislation may not refer to or define "materiality" in the context of the other information, but materiality may be implicit in the requirements. For example, terms "key" (e.g., key performance indicators) or "principal" (e.g., principal risks) refer to facts or circumstances that are (or should be) considered material to a user's understanding. The auditor may consider these and similar terms, in the context of the entity, when determining materiality of the other information.

A7-2. To the extent that the relevant legal requirements do not provide a comprehensive discussion about materiality in the context of the other information, paragraph A7 of this ISA (UK) may be relevant to the auditor's judgments about whether the other information is materially misstated.

A7-3. Other information is material if its omission or misrepresentation could reasonably be expected to influence the economic decisions users take on the basis of the annual report as a whole.

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

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

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

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

*Statutory Other Information (Ref: Para. 12(d))*

A10-1. In the UK, the statutory other information for companies includes, where required to be prepared:

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



- (i) The directors' report;
- (ii) The strategic report;
- (iii) The separate corporate governance statement.<sup>5a</sup>

A10-2. Auditors of other entities (e.g., charities or pension funds) may also be required to report on statutory other information in accordance with law or regulation.

A10-3. Information given in the statutory other information includes information that is included by way of cross reference to other information presented separately from the statutory other information. For example, a UK entity may decide to present a voluntary Operating and Financial Review (OFR) which includes some or all of the matters required for the business performance review section of the Strategic Report or the Directors' Report. Rather than duplicate the information, the entity may cross refer from the Strategic Report or the Directors' Report to the relevant information provided in the OFR.

### **Obtaining the Other Information** (Ref: Para. 13)

- A11. Determining the document(s) that is or comprises the annual report is often clear based on law, regulation or custom. In many cases, management or those charged with governance may have customarily issued a package of documents that together comprise the annual report, or may have committed to do so. In some cases, however, it may not be clear which document(s) is or comprises the annual report. In such cases, the timing and purpose of the documents (and for whom they are intended) are matters that may be relevant to the auditor's determination of which document(s) is or comprises the annual report.
- A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is listed in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.
- A13. Management, or those charged with governance, is responsible for preparing the annual report. The auditor may communicate with management or those charged with governance:
- The auditor's expectations in relation to obtaining the final version of the annual report (including a combination of documents that together comprise the annual report) in a timely manner prior to the date of the auditor's report such that the auditor can complete the procedures required by this ISA (UK) before the date of the auditor's report, or if that is not possible, as soon as practicable and in any case prior to the entity's issuance of such information.
  - The possible implications when the other information is obtained after the date of the auditor's report.
- A14. The communications referred to in paragraph A13 may be particularly appropriate for example:

<sup>5a</sup> When the required information is not included within or incorporated by cross reference to the directors' report.





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