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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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<p>International Standard on Auditing (UK) (ISA (UK)) 720 (Revised November 2019), <i>The Auditor's Responsibilities Relating to Other Information</i>, should be read in conjunction with ISA (UK) 200 (Revised June 2016), <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)</i>.</p>
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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).¹ 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 requirements² 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.

¹ 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)*.

² International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), paragraph R111.2.

7. This ISA (UK) does not apply to:
 - (a) Preliminary announcements of financial information; or
 - (b) Securities offering documents, including prospectuses.
8. The auditor's responsibilities under this ISA (UK) do not constitute an assurance engagement on other information or impose an obligation on the auditor to obtain assurance about the other information except in respect of the auditor's responsibilities to report in accordance with paragraphs 22-1 and 22-2.
9. Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this ISA (UK).

Effective Date

10. This ISA (UK) is effective for audits of financial statements for periods commencing on or after 15 December 2019.

Objectives

11. The objectives of the auditor, having read the other information, are:
 - (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;
 - (c)-1 Where required by law or regulation, to form an opinion on whether the information given in the other information is consistent with the financial statements and the auditor's knowledge obtained in the audit; and
 - (d) To report in accordance with this ISA (UK).

Definitions

12. For purposes of the ISAs (UK), the following terms have the meanings attributed below:
 - (a) 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 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 or accompanies 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. (Ref: Para. A1–A5)

In the UK, an annual report includes at least:

- (i) The statutory other information; and
- (ii) Any other documents that are incorporated by cross-reference in, or distributed to shareholders with, statutory other information either

voluntarily or pursuant to law or regulation or the requirements of a stock exchange listing.

- (b) Misstatement of the other information – A misstatement of the other 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: Para. A6–A7-2)

In the UK, a misstatement of the other information also exists when the statutory other information has not been prepared in accordance with the legal and regulatory requirements applicable to the statutory other information.

- (c) Other information – Financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. (Ref: Para. A8–A10)

- (d) Statutory other information – Those documents or reports that are required to be prepared and issued by the entity (including any reports or documents that are incorporated by cross reference) in relation to which the auditor is required to report publicly in accordance with law or regulation. (Ref: Para. A10-1–A10-3)

Requirements

Obtaining an Understanding of the Entity and its Environment relating to Statutory Other Information

12-1. For entities that are required to prepare statutory other information, as part of obtaining an understanding of the entity and its environment in accordance with ISA (UK) 315 (Revised July 2020),^{2b} the auditor shall obtain an understanding of:

- (a) The legal and regulatory requirements applicable to the statutory other information; and
- (b) How the entity is complying with those legal and regulatory requirements.

Obtaining the Other Information

13. The auditor shall: (Ref: Para. A11–A22-1)

- (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s);
- (b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document(s) comprising the annual report; and
- (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, 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 ISA (UK). (Ref: Para. A22)

^{2b} ISA (UK) 315 (Revised July 2020), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 19.

Reading and Considering the Other Information

14. The auditor shall read the other information and, in doing so shall: (Ref: Para. A23–A24)
- (a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, 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, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and (Ref: Para. A25–A29)
 - (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: Para. A30–A36)
- 14-1. For entities that are required to prepare statutory other information, the auditor shall read the statutory other information and, in doing so shall consider, based on the work undertaken in the course of the audit, whether the statutory other information appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information. (Ref: Para. A36-1–A36-4)
- 14-2. For entities that are required to prepare statutory other information, as the basis for the consideration required by paragraphs 14(a), 14(b) and 14-1, the auditor shall perform such procedures as are necessary in the auditor's professional judgment to identify:
- (a) Any material inconsistencies between the other information and the financial statements;
 - (b) Any material inconsistencies 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; and
 - (c) Whether the statutory other information appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information.
15. While reading the other information in accordance with paragraph 14, the auditor shall remain alert for indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated. (Ref: Para. A24, A37–A38)

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

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 shall discuss the matter with management and, if necessary, perform other procedures to conclude whether: (Ref: Para. A39–A43)
- (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.

Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists

17. If the auditor concludes that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:
 - (a) Agrees to make the correction, the auditor shall determine that the correction has been made; or
 - (b) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made.
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 shall take appropriate action, including: (Ref: Para. A44–A44-2)
 - (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(e)(ii)); or (Ref: Para. A45)
 - (b) Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A46–A47)
19. If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor's report, the auditor shall:
 - (a) If the other information is corrected, perform the procedures necessary in the circumstances; or (Ref: Para. A48)
 - (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 users for whom the auditor's report is prepared. (Ref: Para. A49–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

20. If, as a result of performing the procedures in paragraphs 14–15, 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 shall respond appropriately in accordance with the other ISAs (UK). (Ref: Para. A51)

Reporting

21. The auditor's report shall include a separate section with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report:
 - (a) For an audit of financial statements of a listed entity, the auditor has obtained, or expects to obtain, the other information; or
 - (b) For an audit of financial statements of an entity other than a listed entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)

In the UK, when reporting on Other Information the auditor's report shall always include a separate section with a heading "Other Information", or other appropriate heading.^{2c}

22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)
- (a) A statement that management is responsible for the other information;
 - (b) An identification of:
 - (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and
 - (ii) For an audit of financial statements of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report;
 - (c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon, except to the extent otherwise explicitly stated in the auditor's report; (Ref: Para. A53-1)
 - (d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA (UK); and (Ref: Para. A53-2)
 - (e) When other information has been obtained prior to the date of the auditor's report, either:
 - (i) A statement that the auditor has nothing to report; or
 - (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.

Other Reporting Responsibilities

- 22-1. If the auditor is required to report on the statutory other information in accordance with law or regulation, the auditor shall include in the auditor's report:
- (a) A description of the auditor's responsibilities relating to the statutory other information; and
 - (b) A conclusion thereon. (Ref: Para. A53-3–A53-7)

Entities that Apply the UK Corporate Governance Code

- 22-3. The auditor's report shall include a separate section with a heading "Corporate Governance Statement" for entities that report on how they have applied the UK Corporate Governance Code.
- 22-4. The auditor shall include a description of the auditor's responsibilities in respect of, and a conclusion on, whether the following are materially consistent with the financial statements and the auditor's knowledge obtained in the audit: (Ref: Para. A53-9–A53-13)

^{2c} ISA (UK) 700 (Revised November 2019), *Forming an Opinion and Reporting on Financial Statements* requires that "The auditor shall not sign, and hence date, the auditor's report earlier than the date on which all the other information has been approved by those charged with governance and the auditor has considered all necessary available evidence."

- (a) In respect of the Listing Rule requirement for the auditor to review the statement by the directors regarding going concern and longer-term viability:
- (i) The directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;^{2d}
 - (ii) The Board's explanation in the annual report as to how it has assessed the prospects of the entity, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the entity will be able to continue in operation and meets its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;^{2e}
- (b) In respect of the Listing Rule requirement for the auditor to review the parts of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor:
- (i) The statement given by the directors that they consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the entity's position, performance, business model and strategy;^{2f}
 - (ii) The Board's confirmation in the annual report that it has carried out a robust assessment of the entity's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;^{2g}
 - (iii) The section of the annual report that describes the review of the effectiveness of entity's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls;^{2h}
 - (iv) The section of the annual report that describes the work of the audit committee, including the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed.²ⁱ

^{2d} The UK Corporate Governance Code (July 2018), provision 30.

^{2e} The UK Corporate Governance Code (July 2018), provision 31.

^{2f} The UK Corporate Governance Code (July 2018), provision 27.

^{2g} The UK Corporate Governance Code (July 2018), provision 28.

^{2h} The UK Corporate Governance Code (July 2018), provision 29.

²ⁱ The UK Corporate Governance Code (July 2018), provision 26.

23. When the auditor expresses a qualified or adverse opinion in accordance with ISA (UK) 705 (Revised June 2016),³ the auditor shall consider the implications of the matter giving rise to the modification of opinion for the statement required in paragraph 22(e). (Ref: Para. A54–A58)

Reporting Prescribed by Law or Regulation

24. If the auditor is required by law or regulation of a specific jurisdiction to refer to the other information in the auditor's report using a specific layout or wording, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum: (Ref: Para. A59)
- (a) Identification of the other information obtained by the auditor prior to the date of the auditor's report;
 - (b) A description of the auditor's responsibilities with respect to the other information; and
 - (c) An explicit statement addressing the outcome of the auditor's work for this purpose.

Documentation

25. In addressing the requirements of ISA (UK) 230 (Revised June 2016)⁴ as it applies to this ISA (UK), the auditor shall include in the audit documentation:
- (a) Documentation of the procedures performed under this ISA (UK); and
 - (b) The final version of the other information on which the auditor has performed the work required under this ISA (UK).

Application and Other Explanatory Material

Definitions

Annual Report (Ref: Para. 12(a))

- A1. Law, regulation or custom may define the content of an annual report, and the name by which it is to be referred, for entities in a particular jurisdiction; however, the content and the name may vary within a jurisdiction and from one jurisdiction to another.
- A2. An annual report is typically prepared on an annual basis. However, when the financial statements being audited are prepared for a period less than or more than a year, an annual report may also be prepared that covers the same period as the financial statements.
- A3. 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. For

³ ISA (UK) 705 (Revised June 2016), *Modifications to the Opinion in the Independent Auditor's Report*.

⁴ ISA (UK) 230 (Revised June 2016), *Audit Documentation*, paragraphs 8–11.

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.⁵ 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:

⁵ 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.^{5a}

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.

^{5a} When the required information is not included within or incorporated by cross reference to the directors' report.

- A14. The communications referred to in paragraph A13 may be particularly appropriate for example:
- 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.
- A15. 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.
- A16. 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.
- A17. There may be circumstances when, at the date of the auditor's report, the entity is considering the development of a document that may be part of the entity's annual report (for example, a voluntary report to stakeholders) but management is unable to confirm 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 considered other information for purposes of this ISA (UK).
- A18. 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.
- A19. 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 ISA (UK). The auditor has no responsibility under this ISA (UK) 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.
- A20. The auditor is not precluded from dating or issuing the auditor's report if the auditor has not obtained some or all of the other information.^{6a}

⁶ ISA (UK) 210, *Agreeing the Terms of Audit Engagements*, paragraph A24.

^{6a} ISA (UK) 700 (Revised November 2019) requires that "The auditor shall not sign, and hence date, the auditor's report earlier than the date on which all the other information has been approved by those charged with governance and the auditor has considered all necessary available evidence."

- A21. 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 6 and 7 of ISA (UK) 560.⁷
- A22. ISA (UK) 580⁸ 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 ISA (UK) 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.

Reading and Considering the Other Information (Ref: Para. 14–15)

- A23. The auditor is required by ISA (UK) 200 (Revised June 2016)⁹ 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.
- A24. In accordance with ISA (UK) 220 (Revised November 2019),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 ISA (UK), 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

⁷ ISA (UK) 560, *Subsequent Events*.

⁸ ISA (UK) 580, *Written Representations*.

⁹ ISA (UK) 200 (Revised June 2016), paragraph 15.

¹⁰ ISA (UK) 220 (Revised November 2019), *Quality Control for an Audit of Financial Statements*, paragraph 15(a).

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: Para. 14(a))

A25. Other information may include amounts or other items 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. 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."

A26. 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.

A27. 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).
- 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.

A28. 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 ISA (UK) 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.

A29. 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: Para. 14(b))

A30. 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."

A31. The auditor's knowledge obtained in the audit includes the auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, obtained in accordance with ISA (UK) 315 (Revised July 2020).¹¹ ISA (UK) 315 (Revised July 2020) sets out the auditor's required understanding, which includes such matters as obtaining an understanding of:

- (a) The entity's organizational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of IT;
- (b) Relevant industry, regulatory, and other external factors;
- (c) The relevant measures used, internally and externally, to assess the entity's financial performance.

A32. 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.

A33. 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.

¹¹ ISA (UK) 315 (Revised July 2020), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 19–27.

- A34. 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.
- A35. The auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team or relevant component auditors is appropriate as a basis for the auditor's consideration of whether a material inconsistency exists. 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.
- A36. 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 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.

Identifying Whether the Statutory Other Information Has Been Prepared in Accordance with the Applicable Legal and Regulatory Requirements (Ref: Para. 14-1)

- A36-1. As explained in paragraph 12(b), a misstatement of the other information also exists when the statutory other information has not been prepared in accordance with the legal and regulatory requirements applicable to the statutory other information.
- A36-2. In considering whether the statutory other information has been prepared in accordance with the legal and regulatory requirements applicable to the statutory other information, the auditor identifies whether information that is required by law or regulation to be included in the statutory other information has been omitted. This includes situations where the required information is presented separately from the statutory other information without appropriate cross reference.
- A36-3. If the auditor concludes that the statutory other information has not been prepared in accordance with the legal and regulatory requirements applicable to the statutory other

information, the auditor determines whether non-compliance with the applicable legal or regulatory requirement has a material effect on the financial statements.^{11a}

A36-4. For statutory audits of financial statements of public interest entities, the auditor considers whether to communicate any non-compliance with the applicable legal or regulatory requirement in the additional report to the audit committee.^{11b}

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

A37. Other information may include discussion of matters that are not 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.

A38. Remaining alert for other indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated assists the auditor in complying with relevant ethical requirements that require the auditor to avoid being knowingly associated with other information that the auditor believes contains a materially false or misleading statement, a statement furnished recklessly, or omits or obscures necessary information such that the other information is misleading.¹² Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as:

- 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.

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated (Ref: Para. 16)

A39. 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, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment.

^{11a} ISA (UK) 250 (Revised November 2019), *Section A—Consideration of Laws and Regulations in an Audit of Financial Statements*.

^{11b} ISA (UK) 260 (Revised November 2019), *Communication with Those Charged with Governance*, paragraph 16-2(k).

¹² IESBA Code, paragraph R111.2.

In the UK, the relevant ethical guidance on such matters is provided by the ethical pronouncements issued by the auditor's relevant professional body.

A40. Conversely, the discussion with management may provide further information that supports the auditor's conclusion that a material misstatement of the other information exists.

A40-1. The auditor assesses whether any inconsistency or misstatement of the other information is material, taking into account both the size and the nature of the inconsistency or misstatement. For example, regulation requires certain entities to disclose political donations if the aggregate donations are in excess of a quantitative threshold. This threshold may be below the auditor's materiality for the financial statements as a whole or performance materiality. However, the auditor also considers qualitative factors in determining whether a misstatement in the amount of political donations is material or not.

A41. 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.

A42. 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.

A43. 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 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 or not a material misstatement of the other information exists. Actions the auditor may then take include one or more of the following:

- 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 Exists in Other Information Obtained prior to the Date of the Auditor's Report (Ref: Para. 18)

A44. 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.

A44-1. If the auditor concludes that a material misstatement of the other information exists, and the auditor is unable to resolve the matter through discussion with those charged with governance, the auditor considers requesting those charged with governance to consult with a qualified third party, such as the entity's legal counsel and considers the advice received.

Further Actions Available to the Auditor When a Material Inconsistency or Material Misstatement in Other Information is not Corrected

A44-2. In the UK, the auditor of a limited company may use the auditor's right to be heard at any general meeting of the members on any part of the business of the meeting which concerns the auditor as auditor.^{12a}

Reporting Implications (Ref: Para. 18(a))

A45. 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 question the reliability of audit evidence in general.

Withdrawal from the Engagement (Ref: Para. 18(b))

A46. 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.

A46-1. In the case of auditors of limited companies in the UK, the requirements for the auditor to make a statement on ceasing to hold office as auditor apply.^{12b} In addition, in the UK the auditor may need to notify the relevant audit authority.^{12c}

^{12a} In the UK, Section 502 of the Companies Act 2006.

^{12b} In the UK, Section 519 of the Companies Act 2006.

^{12c} In the UK, Section 522 of the Companies Act 2006.

Considerations specific to public sector entities (Ref: Para. 18(b))

A47. In the public sector, withdrawal from the engagement may not be possible. In such cases, the auditor may issue a report to the legislature providing details of the matter or may take other appropriate actions.

Responding When the Auditor Concludes That a Material Misstatement Exists in Other Information Obtained after the Date of the Auditor's Report (Ref: Para. 19)

A48. 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 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.

A49. 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 users for whom the auditor's report is prepared 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.

A50. 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 users for whom the auditor's report is prepared. 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 ISAs (UK) 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;
- Bringing the material misstatement of the other information to the attention of the users for whom the auditor's report is prepared (for example, by addressing the matter in a general meeting of shareholders);
- Communicating with a regulator or relevant professional body about the uncorrected material misstatement; or
- Considering the implications for engagement continuance (see also paragraph A46).

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: Para. 20)

A51. In reading the other information, the auditor may become aware of new information that has implications for:

- The auditor's understanding of the entity and its environment, the financial reporting framework and the entity's system of internal control 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

Reporting (Ref: Para. 21–24)

A52. For an audit of financial statements of an entity other than a listed entity, 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 ISA (UK). 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.

Illustrative Statements (Ref: Para. 21–22)

A53. Illustrative examples of the "Other Information" section of the auditor's report are included in the FRC's Compendium of Illustrative Auditor's Reports.^{15a}

A53-1. When the auditor is required to express an opinion on some or all of the other information in accordance with law or regulation, the statement required by paragraph 22(c) is modified to state that the auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express an audit opinion or, except to the extent otherwise explicitly stated in the auditor's report, any form of assurance thereon.

A53-2. In accordance with ISA (UK) 700 (Revised November 2019),^{15b} the description of the auditor's responsibilities relating to reading, considering and reporting on other information can be included either:

- Within the body of the auditor's report;
- Within an appendix to the auditor's report; or
- By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority.

¹³ ISA (UK) 315 (Revised July 2020), paragraphs 19–26 and 37.

¹⁴ ISA (UK) 450 (Revised June 2016), *Evaluation of Misstatements Identified during the Audit*.

¹⁵ ISA (UK) 560, paragraphs 10 and 14.

^{15a} Illustrative auditor's reports tailored for use with audits conducted in accordance with ISAs (UK) are given in the current version of the FRC's Compendium of Illustrative Auditor's Reports.

^{15b} ISA (UK) 700 (Revised November 2019), paragraph 41.

Other Reporting Responsibilities

A53-3. As explained in ISA (UK) 250 (Revised November 2019),^{15c} the auditor may be required, in accordance with law or regulation, to report as part of the audit of the financial statements, on whether the entity complies with certain provisions of laws or regulations.

Entities That Are Required to Prepare Statutory Other Information (Ref: Para. 22-1)

Strategic Report and Directors' Report

A53-4. In the UK, under Section 496 of the Companies Act 2006,^{15d} the auditor is required to state in the auditor's report:

- (a) Whether, in the auditor's opinion, based on the work undertaken in the course of the audit:
 - (i) The information given in the strategic report (if any) and the directors' report for the financial year for which the accounts are prepared is consistent with those accounts; and
 - (ii) Any such strategic report and the directors' report have been prepared in accordance with applicable legal requirements; and
- (b) Whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material misstatements in the strategic report (if any) and the directors' report; and

If the auditor identifies any material misstatements in the strategic or directors' report, the auditor is required to give an indication of the nature of each of the misstatements.

Separate Corporate Governance Statement

A53-5. UK legislation^{15e} requires certain entities to include a Corporate Governance Statement, either:

- As a specific section of the directors' report; or
- In a separate report which is either:
 - Published together with, and in the same manner as, its annual report; or
 - By means of a cross reference in its directors' report to where such document is publicly available on the company's website.

A53-6. For entities that choose to include a Corporate Governance Statement as a separate report, the auditor is required to state in the auditor's report:

- (a) Whether, in the auditor's opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules Sourcebook made by the Financial Conduct Authority (information about internal control and risk

^{15c} ISA (UK) 250 (Revised November 2019) *Section A—Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraph A5.

^{15d} Section 496 of the Companies Act 2006.

^{15e} In the UK, Section 497A of the Companies Act 2006. Similar requirements apply to other types of entities e.g. building societies.

management systems in relation to financial reporting processes and about share capital structures):

- (i) Is consistent with those accounts; and
 - (ii) Has been prepared in accordance with applicable legal requirements;
- (b) Whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material misstatements in the information in the statement referred to in paragraph 22-2(a); and
- (c) Whether, in the auditor's opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules Sourcebook made by the Financial Conduct Authority (information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with, if applicable.

If applicable, the auditor is required to give an indication of the nature of each of the misstatements referred to in paragraph 22-2(b),

A53.7 In the UK, under Section 497A of the Companies Act 2006, the auditor is required to consider whether the information given in the separate Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules Sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with those accounts, and has been prepared in accordance with applicable legal requirements. The auditor is also required to consider whether rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules Sourcebook made by the Financial Conduct Authority (information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with.

Entities that Apply the UK Corporate Governance Code (Ref: Para. 22-3)

A53-8. For entities that apply the UK Corporate Governance Code, the directors are required to give a statement in the annual report that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy. Such entities are also required to include a separate section of the annual report that describes the work of the audit committee in discharging its responsibilities. This should include, inter alia, the significant issues that the audit committee considered in relation to the financial statements, including appropriate matters considered that were communicated to it by the auditor, and how these issues were addressed.

A53-9. Where applicable, the auditor includes a statement in accordance with paragraph 22(e)(ii) describing why the auditor believes that any such statement, section, or explanation or other information is materially inconsistent with the auditor's knowledge obtained in the audit or otherwise contains a material misstatement of the other information. If a section of the annual report describing the work of the audit committee does not appropriately disclose any matters communicated by the auditor to the audit

committee that in the auditor's judgment should have been disclosed, or if the annual report does not contain such a section, the auditor's report shall also include any such information.

A53-10. The auditor is not required by the Listing Rules to review the directors' narrative statements of how they have applied the UK Corporate Governance Code principles and is required only to review the directors' compliance statement in relation to certain of the provisions applicable to entities. Nevertheless, because the directors' narrative statement comprises other information included in the annual report, there is a broader requirement under this ISA (UK) for the auditor to read and consider all the other information. If the auditor becomes aware of any material inconsistency between the financial statements or the auditor's knowledge obtained in the audit or otherwise appears to be materially misstated, the auditor seeks to resolve it in accordance with this ISA (UK).

A53-11. The auditor is required by ISA (UK) 315 (Revised July 2020) to obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements. To the extent that the auditor has obtained an understanding of the internal control, the auditor uses this knowledge when considering whether the other information contains a material inconsistency. However, as the review that the directors are required to carry out to comply with the UK Corporate Governance Code is much wider than internal control relevant to the audit, the auditor's consideration required by this ISA (UK) will be narrower in scope than the review performed by the directors for the purpose of reporting on compliance with the UK Corporate Governance Code. The auditor, therefore, is not expected to assess whether all risks and controls have been addressed by the directors or that risks are satisfactorily addressed by internal controls.

A53-12. In accordance with paragraph 23-4, the auditor performs procedures to obtain appropriate evidence to support those statements made by management which the auditor is required by the Listing Rules to review. Examples of such procedures include:

- Reviewing the minutes of the meetings of the board of directors, and of relevant board committees.
- Reviewing supporting documents prepared for the board of directors or board committees that are relevant to those matters specified for review by the auditor.
- Making enquiries of certain directors (such as the chairman of the board of directors and the chairman of relevant board committees) and the company secretary to satisfy themselves on matters relevant to those provisions of the UK Corporate Governance Code specified for review by the auditor.
- Attending meetings of the audit committee (or the full board if there is no audit committee) at which the annual report and account, including the statement of compliance, are considered and approved for submission to the board of directors.
- Requesting the directors to provide written confirmation of oral representations made during the course of the auditor's review.

Non-compliance with provisions of the UK Corporate Governance Code

A53-13. If there is departure from a provision of the UK Corporate Governance Code but there is appropriate disclosure of this fact and the reasons for departure, as envisaged by the Listing Rules,^{15f} the auditor does not need to refer to the departure in the auditor's report. However, where the auditor considers that there is not appropriate disclosure of a departure from a provision in the UK Corporate Governance Code the auditor reports this in the auditor's report in accordance with this ISA (UK).

Reporting Implications When the Auditor's Opinion on the Financial Statements Is Qualified or Adverse (Ref: Para. 23)

A54. A qualified or adverse auditor's opinion on the financial statements may not have an impact on the statement required by paragraph 22(e) 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 financial reporting framework may have no implications for the reporting required under this ISA (UK). In other circumstances, there may be implications for such reporting as described in paragraphs A55–A58.

Qualified Opinion Due to a Material Misstatement in the Financial Statements

A55. 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

A56. 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(e) 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.

Adverse Opinion

A57. 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(e)(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

^{15f} FSA LR 9.8.10R.

same matter as, or a related matter to, the matter giving rise to the adverse opinion on the financial statements.

Disclaimer of Opinion

A58. When the auditor disclaims an opinion on the financial statements, providing further details about the audit, including a section to address other information may overshadow the disclaimer of opinion on the financial statements as a whole. Accordingly, in those circumstances, as required by ISA (UK) 705 (Revised June 2016), the auditor's report does not include a section addressing the reporting requirements under this ISA (UK).

Reporting Prescribed by Law or Regulation (Ref: Para. 24)

A59. ISA (UK) 200 (Revised June 2016)¹⁶ explains that the auditor may be required to comply with legal or regulatory requirements in addition to the ISAs (UK). Where this is the case, the auditor may be obliged to use a specific layout or wording in the auditor's report that differs from that described in this ISA (UK). Consistency in the auditor's report, when the audit has been conducted in accordance with ISAs (UK), promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. When the differences between the legal or regulatory requirements to report with respect to the other information and this ISA (UK) relate only to the layout and wording in the auditor's report and, at a minimum, each of the elements identified in paragraph 24 is included in the auditor's report, the auditor's report may refer to International Standards on Auditing. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of this ISA (UK), even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements.

¹⁶ ISA (UK) 200 (Revised June 2016), paragraph A57.

Appendix 1

(Ref: Para. 14, A8)

Examples of Amounts or Other Items that May Be Included in the Other Information

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

Amounts

- Items in a summary of key financial results, such as net income, earnings per share, dividends, sales and other operating revenues, and purchases and operating expenses.
- Selected operating data, such as income from continuing operations by major operating area, or sales by geographical segment or product line.
- Special items, such as asset dispositions, litigation provisions, asset impairments, tax adjustments, environmental remediation provisions, and restructuring and reorganization expenses.
- Liquidity and capital resource information, such as cash, cash equivalents and marketable securities; dividends; and debt, capital lease and minority interest obligations.
- Capital expenditures by segment or division.
- Amounts involved in, and related financial effects of, off-balance sheet arrangements.
- Amounts involved in guarantees, contractual obligations, legal or environmental claims, and other contingencies.
- Financial measures or ratios, such as gross margin, return on average capital employed, return on average shareholders' equity, current ratio, interest coverage ratio and debt ratio. Some of these may be directly reconcilable to the financial statements.

Other Items

- Explanations of critical accounting estimates and related assumptions.
- Identification of related parties and descriptions of transactions with them.
- Articulation of the entity's policies or approach to manage commodity, foreign exchange or interest rate risks, such as through the use of forward contracts, interest rate swaps, or other financial instruments.
- Descriptions of the nature of off-balance sheet arrangements.
- Descriptions of guarantees, indemnifications, contractual obligations, litigation or environmental liability cases, and other contingencies, including management's qualitative assessments of the entity's related exposures.
- Descriptions of changes in legal or regulatory requirements, such as new tax or environmental regulations, that have materially impacted the entity's operations or fiscal position, or will have a material impact on the entity's future financial prospects.

- Management's qualitative assessments of the impacts of new financial reporting standards that have come into effect during the period, or will come into effect in the following period, on the entity's financial results, financial position and cash flows.
- General descriptions of the business environment and outlook.
- Overview of strategy.
- Descriptions of trends in market prices of key commodities or raw materials.
- Contrasts of supply, demand and regulatory circumstances between geographic regions.
- Explanations of specific factors influencing the entity's profitability in specific segments.



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