

Annual report finalisation and auditing standard ASA 720 'Other information'

Financial statements and annual reports

The Queensland Audit Office (QAO) audits the financial statements of the state's public sector entities. QAO issues an audit opinion on whether the statements are free from material misstatement, and whether they comply with relevant legislation.

Financial statements are an important part of a public sector entity's accountability framework. They tell a reader how the entity earned and spent money, and provide details of its assets and liabilities. The entity must include them in their annual report, together with our audit opinion on the statement's reliability.

Other information

The revised auditing standard ASA 720 *The Auditor's Responsibilities Relating to Other Information* applies to all financial report audits. The standard may require an auditor to perform audit procedures even after they have signed the audit report. Management responsibilities have also changed under the revision to this standard.

While ASA 720 refers to *other information*, it is focused on documents containing an audited financial report and auditor's report, which is generally the annual report. Other information includes both financial and non-financial information such as:

- a report on operations
- financial summaries, highlights or quarterly data
- employment data
- planned capital expenditure
- financial ratios
- names of officers and directors.

Note that other information does not include information contained on an entity's website, or supplementary documents such as press releases, transmittal memorandums or covering letters.



Fact sheet

Objective

The aim of the standard is to avoid misalignment between the annual report (which management prepares) and the financial report (which the auditor has audited). Material inconsistencies could impact readers' confidence in reported information, and affect both management and the auditor's credibility.

The main requirement under ASA 720 is for the auditor to consider the final version of the other information included in the annual report before it is published (that is, tabled), whether it is published at the same time or after the audit report is signed. The final version is the one that those charged with governance have approved for issuance.

To minimise the impact of these new requirements on agencies' ability to meet their legislative reporting dates, the following management and auditor responsibilities should exist.

Management responsibilities

- Develop a timetable for financial statement and annual report preparation and include the additional review requirements. Discuss and agree this with the auditor early.
- Advise the auditor about what other information you will produce and how you will publish it. For example, will the financial report and audit report be contained in the one document with the other information, or will one or more other documents accompany them? Will the documents go through a tabling process?
- Advise the auditor when the final version of the other information will be ready for review and when the other information will be published.
- If the other information will not be available until after the auditor's report is signed, arrange with the auditor (via written representation) as to when you will supply the final version for review, and when a response is required. Some agencies may be able to refer to their report preparation timetable.
- Send a copy of the final version of the other information to the auditor before it is published, with sufficient time for them to review it. The amount of time needed for the review will depend on the document's length, availability of audit staff and how many annual reports from other audit clients need reviewing in the same time frame.

Auditor responsibilities

- Understand from management what other information they will produce and how they will publish it.
- Understand from management when the final version of the other information will be ready for your review and when they will publish it.
- If the other information will not be available until after the auditor's report is signed, arrange with management (via written representation) as to when they will supply the final version for review, and when a response is required by.
- When management supplies the final version of the other information, consider whether there is a material inconsistency between the other information and the financial report, and between the other information and the auditor's knowledge obtained in the audit.
- If there is no material inconsistency, advise this to management. If there is a material inconsistency, respond appropriately as per the auditing standards. The response will depend on the circumstances, particularly whether the other information is incorrect, or the auditor understanding is incorrect, and whether the audit report has been finalised. Responses may range—from management correcting the other information, to the auditor taking appropriate action to seek to prevent reliance on the auditor's report on the financial statements. Guidance on these situations is given in ASA 720.
- If the other information is finalised before the audit report, include an 'other information' section in the audit report. This additional section outlines what procedures you, as the auditor, have performed on the accompanying other information.

Practical issues

To avoid delays, departments, agencies and other entities may choose to have the auditor review an early version. However, this should be a version of sufficient quality that management would be prepared to submit for final approval. For example, the version a director-general has approved. If adopting this approach, the auditor will need to review any subsequent changes.

Entities planning to publish or table their annual reports close to the deadline may prefer this approach, and include it in their preparation timetable for agreement with the auditor.





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T: (07) 3149 6000
M: qao@qao.qld.gov.au
W: qao.qld.gov.au
53 Albert Street, Brisbane Qld 4000

