



Date: 27 August, 2010

Ref no: 14-2008-0111

Description of content of ISSAI 1710

Comparative Information – Corresponding Figures and Comparative Financial Statements

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1720 is comprised of International Standard on Auditing (ISA) 720 – Comparative Information – Corresponding Figures and Comparative Financial Statements, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of the ISA

ISA 710 deals with the auditor's responsibilities relating to comparative information in an audit of financial statements. When the financial statements of the prior period have been audited by a predecessor auditor or were not audited, the requirements and guidance in ISA 510¹ regarding opening balances also apply.

The Nature of Comparative Information

The nature of the comparative information that is presented in an entity's financial statements depends on the requirements of the applicable financial reporting framework. There are two different broad approaches to the auditor's reporting responsibilities in respect of such comparative information: corresponding figures and comparative financial statements. The approach to be adopted is often specified by laws or regulations but may also be specified in the terms of engagement.

¹ ISA 510 , Initial Audit Engagements – Opening Balances.

The essential audit reporting differences between the approaches are:

- a. For corresponding figures, the auditor's opinion on the financial statements refers to the current period only; whereas
- b. For comparative financial statements, the auditor's opinion refers to each period for which financial statements are presented.

ISA 710 addresses separately the auditor's reporting requirements for each approach.

Objective of the auditor in terms of the ISA

The objectives of the auditor are:

- a. To obtain sufficient appropriate audit evidence about whether the comparative information included in the financial statements has been presented, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework; and
- b. To report in accordance with the auditor's reporting responsibilities.

Among other matters, the requirements in this ISA deal with:

- a. Relevant audit procedures required to meet the above objectives.
- b. The need to obtain appropriate written representations from those charged with governance in respect to all periods referred to in the auditor's opinion.
- c. Audit reporting considerations.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 720 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note provides additional guidance for public sector auditors related to:

- a. Scope of the ISA in relation to comparative information in the public sector.
- b. Audit Reporting.