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**Auditing and Assurance
Standards Board**

AUASB RESEARCH REPORT 12

Understanding and evaluating the effectiveness of ASA 720, *The Auditor's Responsibilities Relating to Other Information*, and its role in the current environment

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Executive Summary

Purpose of this report

This report examines reporting practices and evaluates the effectiveness of the enhanced disclosures in the auditor's report relating to other information as required by the revisions to ASA 720, *The Auditor's Responsibilities Relating to Other Information*, which became effective on and after 15 December 2016. Other information refers to the financial or non-financial information other than the financial report and the auditor's report thereon included in an entity's annual report (ASA 720 para 12). ASA 720 requires auditors to read the other information and consider whether there is a material inconsistency between the other information and the financial report, or the auditor's knowledge obtained in the audit, 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, and to report in accordance with ASA 720 (as outlined under ASA 720 para 11). Auditors are further required to disclose the timing of the receipt of the other information (i.e., whether the other information was obtained prior to, or expected to be obtained after, the date of the auditor's report); identification (i.e., what types of other information are reviewed), and conclude in supporting their opinion (i.e., whether or not there is a material misstatement in the other information). This information is required to be disclosed in a separate section in the auditor's report with the heading "Other Information", or other appropriate heading (ASA 720 para 21-22)¹.

In this report, we provide descriptive evidence and analyse the disclosures and trends in disclosures contained in the other information section of the auditor's report. Based on our findings, we provide a series of recommendations to encourage further improvements in the quality and integrity of corporate reporting and to assist entities with their future reporting.

What we analysed

We reviewed all available Australian listed companies' auditor's reports issued in the period between 2017-2022. We focus on the other information section in the auditor's reports. Specifically, we explore whether there is variation in auditors' disclosures in the other information section. In particular, we focus on disclosures relating to (1) Timing of the receipt: whether the auditor has obtained all, part, or no other information prior to the date of the auditor's report; (2) Identification: what specific information is included in the other information; and (3) Conclusion: whether the auditor has nothing to report or there are material misstatements in the other information section.

Key findings

1. For the sample period, 85.0% of auditor's reports indicated that they have obtained all the other information prior to the date of the auditor's report, while 14.3% indicated that they received part of the other information and the remaining 0.7% indicated that they received no other information prior to the date of the auditor's report.

¹ For an audit of a financial report of an entity other than a listed entity, if the auditor has not obtained any other information as at the date of the auditor's report, the auditor's report is not required to have an "Other Information" section.



2. There is an increasing trend over the years (from 79.0% in 2017 to 88.4% in 2022) in the proportion of auditor observations that received all other information prior to the date of the auditor's report. This is a positive trend, indicating that the requirement of the auditor to disclose whether they had been provided with this information has potentially facilitated their access to such other information.
 3. Large audited entities (i.e., those with higher market capitalisation) are less likely to have provided their auditors with all of the other information that is to be disclosed in the annual report prior to the date of the auditor's report.
 4. There has been an increasing trend over the years for each entity size category to have provided their auditors with all the other information before the signing of the auditor's report, except for the ASX 100-200 entities, where the trend has declined over the years, and remains significantly below any other size category.
 5. On average, 21.7% of auditors' reports disclosed the details of the specific reports that constituted other information, with auditor's reports being more likely to disclose the specific identification of other information when audited entities have high market capitalisation.
 6. Over the first three years of observations (2017-2019), the likelihood of disclosing the specific reports that constituted other information decreased, while over the last three years (2020-2022), this trend of disclosing the specific reports has started to increase.
 7. Big 4 audit firms, compared to non-Big 4 firms:
 - a. are less likely to have obtained all of the other information prior to the date of the auditor's report, and
 - b. are more likely to disclose the specific identification of the other information.
- Taken together, these findings may not be surprising, given that Big 4 audit firms tend to audit large audited entities. Moreover, large audited entities tend to be both early reporters and obtain auditor clearance on preliminary final reporting to the ASX (2012), and disclose a wider range of other information in their annual reports. All of these factors place more pressure on the company to ensure that it has the other information available to the auditor before the date of the auditor's report.
8. The Directors' Report is the specific type of other information most frequently referenced in the auditor's report, followed by the Chairman's Report and the Corporate Governance Statement.
 9. A modified audit opinion on the basis of, or related to, other information, is extremely rare (i.e., 3 of 8,940, 0.03%)
 10. A small number of auditor's reports failed to follow all of the requirements of ASA 720, in that they failed to issue a statement that they have nothing to report (i.e., found no misstatements). We note that most of these departures were in the first year of enhanced ASA 720 reporting, 2017, but a very small number have been observed as failing to follow all of the requirements of ASA 720 each year since then.

Recommendations

FOR THE AUASB

1. AUASB to consider ways to make audit firms undertaking listed entity audits aware of this research report to facilitate benchmarking of ASA 720 reporting, and to increase their leverage on audited entities to provide other information to the auditor before the date of the auditor's report in circumstances where it is reasonable to expect this.
2. AUASB should consider the communication effectiveness (clarity of, and how financial report users are likely to interpret and respond to the message) of the wording of the example reports contained in ASA 720 about the reliance that the user is expected to



place on other information which is reported but was not available to the auditor at the time of the signing of the auditor's report.

3. The authors note that the illustrations to ASA 720 contain a negative statement as to what constitutes other information, with the resulting common wording observed being "other information comprises the information contained in the annual report (but does not include the financial report and our auditor's report thereon)." There is an option via a footnote in these illustrations that this can be in a more specific, positive form, such as "other information comprises the management report and chair's statement." The authors consider that there is greater clarity in communication with the positive form as to what constitutes the other information, and have identified a trend in practice to this form of identification. To aid communication effectiveness, the authors recommend that the AUASB consider encouraging the positive form of expression as to what constitutes other information.
4. With the increased importance of other information contained in the annual report, as evidenced by the development of sustainability reporting and assurance standards, including in Australia the proposed requirement of the inclusion of a sustainability report in the annual report along with certain assurance requirements, and the importance placed on components of other information such as the Operating and Financial Review, the AUASB should encourage further research into the communication effectiveness and impact on user decision-making of ASA 720. Beneficial research includes the form of the relationship between assured other information in the annual report (such as climate-related disclosures) and ASA 720 requirements, and how terms and statements currently included in ASA 720, such as other information not being available to the auditor at the time of signing the auditor's report, are impacting on the report user's assessments and decision-making.

FOR ACCOUNTING BODIES

5. Accounting bodies to distribute this report to all members who are practicing auditors so as to facilitate benchmarking of ASA 720 reporting, and increase their leverage on audited entities to provide other information to the auditor before the date of the auditor's report in circumstances where it is reasonable to expect this.
6. Accounting bodies to support the call for further research into the implications arising from ASA 720, in particular, whether certain information contained in the other information should be subject to assurance, and how terms and statements currently included, such as other information not being available to the auditor at the time of signing the auditor's report, are impacting the report user's assessments and decision-making.

FOR ACCOUNTING BODIES, ASIC AND ACCOUNTING FIRMS

7. In some instances, auditors were identified as not following all of the reporting requirements of ASA 720. Quality management processes related to ASA 720 requirements should be reviewed so that such breaches cannot occur.

FOR REPORTING ENTITIES

8. Reporting entities should attempt to ensure that the auditor is provided with all other information that is practicable, before the date of the signing of the auditor's report.
9. Reporting entities should ensure that the credibility of other information contained in the annual report is clearly communicated to the report user. ASX Corporate Governance Principles and Recommendations such as the disclosures under



Recommendation 4.3 are even more important if the auditor has not had the chance to read this other information before signing the auditor's report. Other credibility enhancing mechanisms reported in accordance with Recommendation 4.3 become even more important in these circumstances.²

FOR AUDITING FIRMS

10. Auditing firms should use this report to improve their leverage in discussions with audited entities as to providing other information to the auditor before the date of the auditor's report in circumstances where it is reasonable to expect this.
11. Auditing firms should consider the benefits of disclosing in a positive form the specific components of what constitutes other information to provide greater clarity of this concept.
12. Auditing firms should consider the messages sent to the report users about the reliance of other information which was not available to the auditor at time of their signing of the auditor's report, and whether it is clear to the report user as to how credible such other information is.

FOR ACADEMICS

13. Academics should consider undertaking research related to ASA 720, such as the research opportunities identified in this report, in order to provide evidence to further inform discussions around other information.

² Available at: <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>



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1. Report Background and Methodology

Background

Most annual reports include other information that is not part of the financial report, much of which contains or refers to financial information. For example, management discussion and analysis (in Australia, the operating and financial review) and other narrative sections of an entity's annual report that currently form part of this other information are increasingly being used by management to communicate relevant information to users, and users are attaching greater importance to such information for their decision making. In addition, there may be summaries of 5 or 10 years of operating results, highlights of key figures from the financial report and analyses of financial data in a chairperson's or directors' report. Many companies are also incorporating more sustainability and climate-related information in their annual report in accordance with the greater demand from stakeholders (AASB & AUASB 2019; You and Simnett 2023; Gay and Simnett 2023).

Auditing standard ASA 720, *The Auditor's Responsibilities Relating to Other Information*, outlines the auditor's responsibilities relating to other information, whether financial or non-financial information, included in an entity's annual report. In accordance with the objectives of ASA 720 (Para 11), the auditor is required to read the other information and:

1. Consider whether there is a material inconsistency between the other information and the financial report. As the basis for this consideration, the auditor must evaluate their consistency, compare selected amounts or other items in the other information with such information in the financial report;
2. 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;
3. 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; and
4. To report in accordance with ASA 720.

The auditor's report must include a separate section with a heading "Other Information", or other appropriate heading. This section is required to include:

- 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 a financial report 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;
- d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by ASA 720; and
- 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.
- f) If the other information is not received or there are inconsistencies with the financial



report, there are a number of illustrative reporting options outlined under ASA 720.

- g) We recognise that while ASA 720 requirements for the auditor to read and consider other information in the annual report is an important credibility-enhancing mechanism for this other information, Australia is fairly unique in that under Recommendation 4.3 of the ASX Corporate Governance Principles and Recommendations, listed entities have been encouraged to disclose the internal processes used to ensure the integrity of their unaudited periodic corporate reports, which includes other information in their annual report (Waters et al. 2022; Lum et al. 2023). Thus, any consideration of ASA 720 assurance requirements, should also take into account alternative internal credibility-enhancing mechanisms for this other information.

Research Design and Sample

All information items a) to e) above stipulated in ASA 720 could be informative about whether auditors follow the standard to read and consider other information, and therefore are considered in our analyses to study the effectiveness of ASA 720. However, in developing this report we focus on those items that are considered to be most indicative of the effectiveness of ASA 720. Specifically, we focus on information relating to:

1. Timing: whether the auditor has obtained all, part, or no other information prior to the date of the auditor's report (i.e., item b));
2. Identification: what specific information is included in the other information (i.e., item b)); and
3. Conclusion: whether there is a statement that the auditor has nothing to report or there are material misstatements (i.e., item e)).

These disclosures can potentially provide insights on the effectiveness of audit practice. We do not separately report on items a), c) and d) as these items are less contentious and we find that all of the auditor's reports contain these disclosures.

For item 1 Timing, we follow ASA 720 Appendix 3 Illustrations of Auditor's Reports Relating to Other Information, Illustration 1A, 2A, and 4A to code the situations when the auditor has obtained all, part, or no other information prior to the date of the auditor's report (detail in Appendix 1).

For item 2 Identification, we review the other information section of each auditor's report and identify what specific information or report is included (e.g., directors' report, CEO review, strategy report).

For item 3 Conclusion, we partition each auditor's report into four categories, based on whether there is a statement that the auditor has nothing to report, a statement that describes the uncorrected material misstatement of the other information, a statement that auditor is unable to conclude whether or not the other information is materially misstated, or where there is no disclosure.

We use a large sample that covers most listed companies in Australia for 2017-2022. Our sample period begins in 2017 as this is the first year ASA 720 took effect, and ends in 2022, which is the latest full year of data available at the time of conducting our research. We collected annual reports of listed firms from multiple sources including Connect4 database, ASX website, and individual firms' websites. We merged the auditor data with the Morningstar DatAnalysis database to obtain the required financial report data.

Our final sample contains 8,965 auditor's reports from 2,405 different audited entities for which all the data required for our analyses are available. Panels A and B of Table 1, respectively, show the final sample's industry-year distribution and audit firm distribution.



Table 1: Sample Information on 8,965 Auditor's Reports

Panel A: Auditor Report Industry-Year Distribution

Year	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Communication Service	Utilities	Real Estate	Not Assigned	Total
2017	123	474	112	96	42	120	156	122	61	19	55	0	1,380
2018	118	505	120	91	49	113	154	128	57	23	56	5	1,419
2019	114	514	120	90	47	128	166	149	57	17	53	11	1,466
2020	106	520	119	88	53	137	184	140	57	14	55	11	1,484
2021	100	574	123	100	57	145	184	135	62	14	58	15	1,567
2022	107	642	135	104	59	144	178	130	51	13	53	33	1,649
Total	668	3,229	729	569	307	787	1,022	804	345	100	330	75	8,965

Panel B: Audit Firm Year Distribution

Year	Big4	Large non-Big4	Median non-Big4	Small non-Big4	Total
2017	557	344	372	107	1,380
2018	574	333	401	111	1,419
2019	551	334	466	115	1,466
2020	562	314	495	113	1,484
2021	559	343	524	141	1,567
2022	567	355	576	151	1,649
Total	3,370	2,023	2,834	738	8,965

Note: Big 4 are Deloitte, Ernst and Young, KPMG, and PwC. BDO and Grant Thornton are coded as Large non-Big 4. Medium Non-Big 4 firms include Bentleys, Crowe Horwath, Hall Chadwick, HLB Mann Judd, KS Black, Moore Stephens, Nexia, Pitcher Partners, PKF Rothsay, RSM Bird Cameron, Stantons International, and William Buck. The remaining auditors are coded as small non-Big 4 firms.



2. Descriptive Statistics and Analyses

The Obtaining of Other Information by the Auditor before Signing the Auditor's Report

ASA 720 paragraph 22(b) requires that auditors shall include in the Other Information section of their auditor's report 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 a financial report of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report. (Paragraph A53 and Appendix 3 provide additional explanation and examples).

We examine the resulting disclosures and code the other information received into three categories:

1. the auditor has obtained all the other information;
2. the auditor has obtained part of the other information; and
3. the auditor has obtained no other information; prior to the date of the auditor's report.

Panel A of Table 2 displays the descriptive statistics for the timing as to whether, and how much, other information the auditor has obtained. Most auditors in our sample have obtained all or part of the other information. We identify that 7,617 of 8,965 (85.0%) disclosures indicated that they have obtained all of other information prior to the date of the auditor's report, while 1,284 of 8,965 (14.3%) of the disclosures indicated that they have obtained part of other information prior to the date of the auditor's report. Finally, there were 64 of 8,965 (0.7%) disclosures that indicated that they received no other information prior to the date of the auditor's report. In addition, we also observed an increasing trend over the years (from 79.0% in 2017 to 88.4% in 2022) in the proportion of observations that received all other information prior to the date of the auditor's report. This is a positive trend indicating that the requirement of the auditor to disclose whether they had been provided with this information has facilitated their access to such other information.

It is the management of the entity's responsibility to prepare the other information and send this information to auditors. Auditors are required to make appropriate arrangements with management to obtain the other information in a timely manner prior to the date of the auditor's report (ASA 720 paragraph 13). To further understand whether this timing of obtaining other information depends on audited entity types or auditor types, we show in Panel B the timing by entity market capitalisation, and in Panel C the timing when the auditor has obtained other information, based on four types of audit firms: Big 4, Large Non-Big 4 (BDO and Grant Thornton), Medium Non-Big 4, and Small Non-Big 4.

Panel B of Table 2 shows that, for large audited entities (Top 100 and Top 101-200), around 70% of them are found to have sent all other information to their auditor prior to the date of the auditor's report (on average 72.0% for Top 100 and 68.3% for Top 101-200), while for median size audited entities (Top 301-500 and Top 501-1000), this ratio increases to around 80% (on average 76.3% for Top 301-500 and 88.6% for Top 501-1000). As for those smaller audited entities, we observe that this ratio has been increasing with an average of 92.5% over all years. There is an increasing trend over the years for each entity size category for auditors to be provided with all the other information before the signing of the auditor's report,



with the exception of the ASX 100-200 entities, where the trend has actually dropped over the years, and remains significantly below any other size category.

We have identified that larger audited entities are less likely to send all the other information to their auditors prior to the date of the auditor's report. These findings may at least be partly due to the fact that large audited entities tend to be both early reporters and obtain auditor clearance on preliminary final reporting to the ASX (2012)³, and disclose a wider range of other information in their annual reports. All of these factors place more pressure on the company being in a position to have all the other information available to the auditor before the date of the auditor's report.

As shown in Panel C of Table 2, we find that on average, compared to Big 4 audit firms where 71% of them have obtained all of the other information prior to the date of the auditor's report, 90% of large non-Big 4 firms and 95% of median and small non-Big 4 firms have obtained all of the other information prior to the date of the auditor's report. This is consistent with our observations in Panel B of Table 2, given that large audited entities, and the potential reasons outlined above as to why they may not be in a position to have all other information available to their auditor at the time of signing the auditor's report, are usually audited by Big 4 audit firms (Carson 2019).

Table 2: Timing of Obtaining Other Information

Panel A: Overall							
Year	Obtained All Other Information		Obtained Part Other Information		Obtained No Other Information		Total
		%		%		%	
2017	1,090	79.0%	260	18.8%	30	2.2%	1,380
2018	1,163	82.0%	248	17.5%	8	0.6%	1,419
2019	1,250	85.3%	210	14.3%	6	0.4%	1,466
2020	1,286	86.7%	188	12.7%	10	0.7%	1,484
2021	1,370	87.4%	191	12.2%	6	0.4%	1,567
2022	1,458	88.4%	187	11.3%	4	0.2%	1,649
Total	7,617	85.0%	1,284	14.3%	64	0.7%	8,965

³ The ASX (2012) requirement for ASX listed companies to submit a preliminary final report within two months of their financial year end, may impact the reporting entity providing other information to the auditor that is to be contained in the annual report. Note that the preliminary financial report must include a statement as to whether the report is based on accounts which have been audited, are in the process of being audited, or have not yet been audited. If the accounts have been audited, the audit report should be provided with the report. As most companies prefer to have audit clearance on the preliminary financial report before releasing such information the market, and this is before the preparation of the annual report, this may impact the provision of other information to be disclosed in the annual report to the auditor before the date of the auditor's report. Opposed to this, the preliminary final report should also contain, "any significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position", and "a commentary on the results for the period". Such information could reasonably be contained in the other information in the annual report, and an entity would not want to alter such other information between which is contained in the preliminary final report and what is contained in the annual report, unless there is a reasonable basis (e.g., subsequent events) for the change.



Panel B: Timing by Client Market Capitalisation

Year	Top 100 by Market Capitalisation						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	Total
2017	66	66.0%	33	33.0%	1	1.0%	100
2018	68	68.0%	32	32.0%	0	0.0%	100
2019	76	76.0%	23	23.0%	1	1.0%	100
2020	72	72.0%	28	28.0%	0	0.0%	100
2021	73	73.0%	27	27.0%	0	0.0%	100
2022	77	77.0%	23	23.0%	0	0.0%	100
Total	432	72.0%	166	27.7%	2	0.3%	600

Year	Top 101–200 by Market Capitalisation						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	Total
2017	71	71.0%	25	25.0%	4	4.0%	100
2018	71	71.0%	26	26.0%	3	3.0%	100
2019	68	68.0%	31	31.0%	1	1.0%	100
2020	68	68.0%	31	31.0%	1	1.0%	100
2021	66	66.0%	33	33.0%	1	1.0%	100
2022	66	66.0%	34	34.0%	0	0.0%	100
Total	410	68.3%	180	30.0%	10	1.7%	600

Year	Top 301–500 by Market Capitalisation						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	Total
2017	203	67.7%	91	30.3%	6	2.0%	300
2018	215	71.7%	84	28.0%	1	0.3%	300
2019	234	78.0%	65	21.7%	1	0.3%	300
2020	238	79.3%	58	19.3%	4	1.3%	300
2021	242	80.7%	57	19.0%	1	0.3%	300
2022	241	80.3%	57	19.0%	2	0.7%	300
Total	1,373	76.3%	412	22.9%	15	0.8%	1800



Panel B of Table 2 Cont.

Year	Top 501–1000 by Market Capitalisation						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	Total
2017	423	84.6%	67	13.4%	10	2.0%	500
2018	432	86.4%	66	13.2%	2	0.4%	500
2019	440	88.0%	59	11.8%	1	0.2%	500
2020	454	90.8%	45	9.0%	1	0.2%	500
2021	450	90.0%	48	9.6%	2	0.4%	500
2022	458	91.6%	41	8.2%	1	0.2%	500
Total	2,657	88.6%	326	10.9%	17	0.6%	3000

Year	The Remaining by Market Capitalisation						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	Total
2017	327	86.1%	44	11.6%	9	2.4%	380
2018	376	89.7%	40	9.5%	3	0.7%	419
2019	432	92.7%	32	6.9%	2	0.4%	466
2020	454	93.8%	26	5.4%	4	0.8%	484
2021	539	95.1%	26	4.6%	2	0.4%	567
2022	616	94.9%	32	4.9%	1	0.2%	649
Total	2,744	92.5%	200	6.7%	21	0.7%	2,965

Panel C: Timing by Audit Firm Type

Year	Big 4						
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	All
2017	370	66.5%	182	32.7%	4	0.7%	556
2018	385	67.2%	182	31.8%	6	1.0%	573
2019	396	71.9%	152	27.6%	3	0.5%	551
2020	406	72.2%	150	26.7%	6	1.1%	562
2021	410	73.3%	147	26.3%	2	0.4%	559
2022	427	75.3%	137	24.2%	3	0.5%	567
Total	2,394	71.1%	950	28.2%	24	0.7%	3368



Panel C of Table 2 Cont.

Year	Large non-Big 4		Part Other		No Other		All
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	
2017	282	82.0%	40	11.6%	22	6.4%	344
2018	295	88.6%	38	11.4%	0	0.0%	333
2019	302	90.4%	31	9.3%	1	0.3%	334
2020	294	93.9%	18	5.8%	1	0.3%	313
2021	312	91.0%	30	8.7%	1	0.3%	343
2022	328	92.4%	27	7.6%	0	0.0%	355
Total	1,813	89.7%	184	9.1%	25	1.2%	2022

Year Median non-Big 4

Year	Median non-Big 4		Part Other		No Other		All
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	
2017	337	90.6%	31	8.3%	4	1.1%	372
2018	375	93.8%	23	5.8%	2	0.5%	400
2019	442	95.1%	23	4.9%	0	0.0%	465
2020	476	96.4%	16	3.2%	2	0.4%	494
2021	514	98.1%	8	1.5%	2	0.4%	524
2022	557	96.7%	18	3.1%	1	0.2%	576
Total	2,701	95.4%	119	4.2%	11	0.4%	2831

Year Small non-Big 4

Year	Small non-Big 4		Part Other		No Other		All
	Obtained All Other Information	%	Obtained Part Other Information	%	Obtained No Other Information	%	
2017	98	93.3%	7	6.7%	0	0.0%	105
2018	106	95.5%	5	4.5%	0	0.0%	111
2019	109	94.8%	4	3.5%	2	1.7%	115
2020	108	95.6%	4	3.5%	1	0.9%	113
2021	134	95.0%	6	4.3%	1	0.7%	141
2022	145	96.7%	5	3.3%	0	0.0%	150
Total	700	95.2%	31	4.2%	4	0.5%	735

Identification in the Auditor's Report as to what Reports Constitute Other Information

There are two main ways in which other information can be described. The first approach is using the words of how other information is defined in ASA 720.12(c), being "financial or non-financial information (other than the financial report and the auditor's report thereon) included in an entity's annual report". The second approach is an optional disclosure approach outlined in a footnote to the illustrative reporting options of ASA 720, which is using a more



specific description of the other information, such as “the management report and chair’s statement,” to identify the specific elements of other information. ASA 720 also provides some examples of amounts or other items that may be included as other information (ASA 720 Appendix 1). The authors of this report support the view that communication effectiveness is enhanced by the more specific description of other information. We therefore explore whether auditors identify in the Other Information Section of the auditor’s report the specific other information items (e.g., director’s report, CEO review, strategy report).

Panel A of Table 3 shows that on average 21.7% of the auditor’s reports disclose specific other information items. It is also noted that in 2017, the first year that ASA 720 took effect, 33.7% of the auditor’s reports disclose the identification of other information, while this ratio kept dropping to 15.5% in 2019, followed by an increase in the recent three years to 20.7% in 2022.

Similar to our analyses for timing, we also investigate whether such a trend depends on client types or auditor types. We show in Panel B of Table 3, the identification by client market capitalisation, and in Panel C the identification by auditor types. Panel B of Table 3 shows that auditors are more likely to disclose the specific identification of other information when audited entities have high market capitalisation. For those top 100 audited entities by market capitalisation, 39.3% of them specifically identify the other information, while this ratio drops to 14.0% for the entity segment with the lowest market capitalisation.

As shown in Panel C of Table 3, we find that Big 4 firms are more likely to disclose the identification of other information, with on average 35.8% made such disclosures, although this was higher in the earlier years, and has stabilised around 30% for the period 2019-2022. This is significantly higher than the percentages specifically describing the other information for the other audit firm categories, with 15.8% of the large non-Big 4 firms specifically disclosing the other information, while only 10.9% (14.8%) of median non-Big 4 firms (small non-Big 4 firms) specifically disclose the identification of other information.⁴

Panel D of Table 3 reports the most common other information reports specifically identified in the other information section of the auditor’s report. The Directors’ Report is the most common other information to be specifically identified (1,829 of the 1,945 auditor’s reports specifically identifying the other information), followed by the Chairman’s Report (534 instances) and the Corporate Governance Statement (314 instances).⁵

Table 3: Identification of Specific Reports Constituting Other Information

Panel A: Overall

Year	Specific reports not identified	%	Specific reports identified	%	Total
2017	915	66.3%	465	33.7%	1,380
2018	1,048	73.9%	371	26.1%	1,419
2019	1,239	84.5%	227	15.5%	1,466
2020	1,223	82.4%	261	17.6%	1,484
2021	1,288	82.2%	279	17.8%	1,567

⁴ We recognize that the findings of large entities, and Big 4 audit firms is not independent, with Big 4 audit firms auditing the significant majority of the top 200 entities (Carson 2019).

⁵ Of the 1,829 auditor’s reports specifically referring to the Directors’ Report, 69 reports also included reference to the Operating Financial Report.



2022	1,307	79.3%	342	20.7%	1,649
Total	7,020	78.3%	1,945	21.7%	8,965

Panel B: Identification by Client Market Capitalisation

Year	Top 100 by Market Capitalisation				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	44	44.0%	56	56.0%	100
2018	54	54.0%	46	46.0%	100
2019	76	76.0%	24	24.0%	100
2020	61	61.0%	39	39.0%	100
2021	65	65.0%	35	35.0%	100
2022	64	64.0%	36	36.0%	100
Total	364	60.7%	236	39.3%	600

Year	Top 101–200 by Market Capitalisation				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	55	55.0%	45	45.0%	100
2018	61	61.0%	39	39.0%	100
2019	70	70.0%	30	30.0%	100
2020	66	66.0%	34	34.0%	100
2021	60	60.0%	40	40.0%	100
2022	58	58.0%	42	42.0%	100
Total	370	61.7%	230	38.3%	600

Year	Top 201–500 by Market Capitalisation				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	169	56.3%	131	43.7%	300
2018	186	62.0%	114	38.0%	300
2019	237	79.0%	63	21.0%	300
2020	235	78.3%	65	21.7%	300
2021	226	75.3%	74	24.7%	300
2022	222	74.0%	78	26.0%	300
Total	1,275	70.8%	525	29.2%	1,800



Panel B of Table 3 Cont.

Year	Top 501–1000 by Market Capitalisation				
	Specific reports not identified	%	Specific reports identified	%	Total
2017	367	73.4%	133	26.6%	500
2018	396	79.2%	104	20.8%	500
2019	430	86.0%	70	14.0%	500
2020	434	86.8%	66	13.2%	500
2021	430	86.0%	70	14.0%	500
2022	404	80.8%	96	19.2%	500
Total	2,461	82.0%	539	18.0%	3,000

Year	The Remaining by Market Capitalisation				
	Specific reports not identified	%	Specific reports identified	%	Total
2017	280	73.7%	100	26.3%	380
2018	351	83.8%	68	16.2%	419
2019	426	91.4%	40	8.6%	466
2020	427	88.2%	57	11.8%	484
2021	507	89.4%	60	10.6%	567
2022	559	86.1%	90	13.9%	649
Total	2,550	86.0%	415	14.0%	2,965

Panel C: Identification by Audit Firm Type

Year	Specific reports not identified		Big 4 Specific reports identified		Total
		%		%	
2017	276	49.6%	281	50.4%	557
2018	322	56.1%	252	43.9%	574
2019	393	71.3%	158	28.7%	551
2020	391	69.6%	171	30.4%	562
2021	382	68.3%	177	31.7%	559
2022	399	70.4%	168	29.6%	567
Total	2,163	64.2%	1,207	35.8%	3,370



Panel C of Table 3 Continued

Year	Large non-Big 4				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	247	71.8%	97	28.2%	344
2018	281	84.4%	52	15.6%	333
2019	308	92.2%	26	7.8%	334
2020	289	92.0%	25	8.0%	314
2021	313	91.3%	30	8.7%	343
2022	265	74.6%	90	25.4%	355
Total	1,703	84.2%	320	15.8%	2,023

Year	Median non-Big 4				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	313	84.1%	59	15.9%	372
2018	352	87.8%	49	12.2%	401
2019	432	92.7%	34	7.3%	466
2020	443	89.5%	52	10.5%	495
2021	473	90.3%	51	9.7%	524
2022	512	88.9%	64	11.1%	576
Total	2,525	89.1%	309	10.9%	2,834

Year	Small non-Big 4				Total
	Specific reports not identified	%	Specific reports identified	%	
2017	79	73.8%	28	26.2%	107
2018	93	83.8%	18	16.2%	111
2019	106	92.2%	9	7.8%	115
2020	100	88.5%	13	11.5%	113
2021	120	85.1%	21	14.9%	141
2022	131	86.8%	20	13.2%	151
Total	629	85.2%	109	14.8%	738

Panel D: Information Items Included in the Other Information

Year	With Identification of Other Information	Directors' Report	Chairman's Report	Corporate Governance Statement	CEO Review	Shareholder Information
2017	465	433	142	103	79	69
2018	371	347	138	82	57	71
2019	227	208	75	42	36	38
2020	261	247	64	36	50	29
2021	279	265	61	26	35	29
2022	342	329	54	25	38	32
Total	1945	1829	534	314	295	268



Year	With Identification of Other Information	Company Letter	Managing Director's Report	Company Highlights	Overview
2017	465	62	42	27	25
2018	371	58	48	35	23
2019	227	31	27	14	15
2020	261	27	23	17	19
2021	279	22	23	18	14
2022	342	29	21	16	16
Total	1945	229	184	127	112

Year	With Identification of Other Information	Strategy Report	CSR Information	Company Profile	Various other reports
2017	465	20	25	9	41
2018	371	22	17	5	31
2019	227	7	7	5	22
2020	261	20	12	5	22
2021	279	22	19	7	19
2022	342	18	19	7	12
Total	1945	109	99	38	147

Modification of Auditor's Conclusion on the Basis of Other Information

ASA 720 requires auditors to report their findings related to other information. It can be either:

- i. a statement that the auditor has nothing to report; or
- ii. a statement that describes the uncorrected material misstatement of the other information if auditors have concluded that there is an uncorrected material misstatement of the other information.

By reading other information sections, we also find that some auditors:

- iii. were unable to conclude whether or not the other information is materially misstated; or did not follow the requirement and
- iv. make no disclosure on their findings. We therefore code auditors' conclusion on other information into these four categories.

Table 4 shows that most of auditors (i.e., more than 99%) issued a statement that they have nothing to report. No auditor issued a statement for uncorrected material misstatement of the other information. Three auditors issued a statement that they are unable to conclude whether the other information is materially misstated due to the qualified opinion for financial statements (i.e., unable to obtain sufficient and appropriate evidence) (extracts of two of these are contained in Appendix 2 of this report). Finally, 25 auditors did not follow the ASA 720.24(c) requirements to include an explicit statement addressing the outcome of the auditor's work for this purpose". This is usually in the form of a statement in the auditor's report as contained in the ASA 720 illustrative reports that "If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard". We note that the



majority of these departures were in the first year of reporting, but a very small number each year since then have continued.

Table 4: Auditor's conclusion on other information

Year	Nothing to report	Misstatement	Unable to conclude	No disclosure of auditor's conclusion	Total
2017	1,366	0	0	14	1,380
2018	1,417	0	0	2	1,419
2019	1,462	0	0	4	1,466
2020	1,483	0	0	1	1,484
2021	1,565	0	1	1	1,567
2022	1,644	0	2	3	1,649
Total	8,937	0	3	25	8,965

3. Analysis of Changes Over Years of Receiving of Other Information

In order to understand more about trends in the auditor reporting of other information we examined all situations where we had comparative reporting of other information over two years by the same audit firm. As reported in Table 5, we had 5,971 instances of comparative reporting. Of these, there were 5,547 (92.9%) instances (reported in red) where there were no differences in the reporting of other information received. From the top diagonal we can see that there were 175 (2.9%) instances where the auditor reported receiving less other information in the subsequent year, with most of these (157, 2.6%) going from obtaining all to obtaining part of the other information. Conversely, there were 249 (4.2%) instances where the auditor reported receiving more other information in the subsequent year, with most of these (219, 3.6%) going from obtaining part to obtaining all of the other information.

Table 5: Changes in auditor's obtaining of other information

	Obtained All OI in year t+1	%	Obtained Part OI in year t+1	%	Obtained no OI in year t+1	%	Total
Obtained All OI in year t	4900	82.1%	157	2.6%	10	0.2%	5067
Obtained Part OI in year t	219	3.6%	637	10.6%	8	0.1%	864
Obtained No OI in year t	22	0.4%	8	0.1%	10	0.2%	40
Total	5141	86.1%	802	13.4%	28	0.5%	5971

When breaking this down by type of audit firm, we found that for the 2233 continuous observations for the Big 4, 1991 (89.1%) were the same as the prior year, 105 (4.7%) instances where the auditor reported receiving less other information in the subsequent year, and 137 (6.2%) instances where the auditor reported receiving more other information in the subsequent year. For the 1384 continuous observations for the large non-Big 4, 1258 (90.9%) were the same as the prior year, 53 (3.8%) instances where the auditor reported receiving less other information in the subsequent year, and 73 (5.3%) instances where the auditor reported receiving more other information in the subsequent year. For the 1929 continuous observations for the medium non-Big 4, 1877 (97.3%) were the same as the prior



year, 16 (0.8%) instances where the auditor reported receiving less other information in the subsequent year, and 36 (1.9%) instances where the auditor reported receiving more other information in the subsequent year. For the 425 continuous observations for the small non-Big 4, 421 (99.1%) were the same as the prior year, 1 (0.2%) instance where the auditor reported receiving less other information in the subsequent year, and 3 (0.7%) instances where the auditor reported receiving more other information in the subsequent year. These show that there are very few instances of any changes to the other information of the of the auditor's reports between years for the same entity for both medium and small non-Big 4 audit firms.

While we were expecting authors to be given greater access over time to the other information before the signing of the auditor's report due to pressure being put on audited entities, else this fact gets disclosed, we were surprised that there were 175 of 5,971 (2.9%) instances where less other information was provided in the subsequent year. We reviewed these instances and determined that most of these related to Big 4 audited entities (105 of the 175) or large non-Big 4 (53 of 195), with only 17 of 175 being medium or small non-Big 4 audited entities. From the descriptions in the other information sections of the annual reports we were unable to discern whether these instances related to an expansion of the other information, or to the auditor not being given access to specific other information that had been provided to the audit firm in prior years.



4. References

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Appendices

Appendix 1: Other information disclosures when the auditor has not identified a material misstatement of the other information

Illustration 1: Suggested other information content of the independent auditor's report when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information. (Reference ASA 720, [Aus] Illustration 1A)

Other Information [or another title if appropriate, such as "Information Other than the Financial Report and Auditor's Report Thereon"]

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 20X1, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Illustration 2: Suggested other information content of the independent auditor's report when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report. (Reference ASA 720, [Aus] Illustration 2A)

Other Information [or another title if appropriate, such as "Information Other than the Financial Report and Auditor's Report Thereon"]

The directors are responsible for the other information. The other information comprises the [information contained in [X report[#]] (but does not include the financial report and our auditor's report thereon)], which we obtained prior to the date of this auditor's report, and the Y report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Illustration 3: Suggested other information content of the independent auditor's report when the auditor has obtained no other information prior to the date of the auditor's report. (Reference ASA 720, [Aus] Illustration 4A)

Other Information [or another title if appropriate, such as "Information Other than the Financial Report and Auditor's Report Thereon"]

The directors are responsible for the other information. The other information comprises the [information included in the [X report],[#] (but does not include the financial report and our auditor's report thereon)]. The X report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

[When we read the X report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and [*describe actions applicable*]].*

Appendix 2: Extracts from issued auditor's reports when the matter giving rise to a modified auditor's opinion also affects the other information.

Extract 1:

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amounts of the Company's exploration and evaluation assets, assets under construction, oil and gas assets and right of use assets as at 30 June 2022. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.



Extract 2:

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our qualified opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the deferred exploration, evaluation and development expenditure. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.