Auditor Reporting

Dan Montgomery, IAASB Deputy Chair and Auditor Reporting Task Force Chair

Agenda Item 2
IAASB June 2013 Meeting
Timing of Discussions and Plans for Approval

**Monday**
- ISA 701
- ISA 570

**Tuesday**
- ISA 210, 260, & KAM examples
- ISA 700, reports & issues
- ISA 705 & reports
- ISA 706

**Wednesday**
- Reading/DT Meetings
- Feedback on Revised ISAs 701 & 570 – Approval

**Thursday**
- Reading/DT Meetings
- Feedback on Revised ISAs 705, 706 & reports – Approval

**Friday**
- Reading/DT Meetings
- Approval of all remaining areas, consideration of exposure period, effective date, etc.

- Revised ISAs 701 & 570 emailed
- Revised ISAs 705, 706 & reports emailed
- Revised documents as needed
Feedback from NSS and CAG Working Group

- Strong encouragement to move forward with the Exposure Draft approval at this meeting
- Objectives of ISA 701 broadly supported, balance of requirements and guidance seems appropriate
- Illustrative examples of KAM improved from ITC
- Going concern wording has improved
- Outreach planned at the national level to solicit feedback on value and potential implementation challenges
Ground Rules

- Significant amount of material for approval
  - Focus on changes that have been made since April 2013 meeting
- Raise any remaining concerns on 701 and 570 on Monday
- Avoid re-opening past debates / recognize the positions have been largely supported by the Board
- Suggest solutions / wording changes to assist DT
- Straw polls as needed to ensure Board’s position is clear
Main Changes to Proposed ISA 701 since April

- Applies to audits of complete set of F/S prepared in accordance with a general purpose framework
- Focus on areas of significant auditor attention or effort when determining KAM
  - Application material restructured to support the considerations in para. 11 and guide the auditor’s thought process
- Description of KAM to explain why the auditor considered the matter to be of most significance in the audit and, to the extent necessary, its effect on the audit
Main Changes to Proposed ISA 701 and Related Standards since April (cont.)

• Clarification of KAM for entities other than listed entities
  – Changes to objectives and application material
  – Conforming amendment to ISA 210

• Revised illustrative examples
  – Revision to introductory language, and new illustrative reports highlighting how this is modified for modified opinions and going concern issues

• Reconsideration of revisions to ISA 260

• Conforming amendment to ISA 230
Objective of Proposed Changes to ISA 570

- Further refine illustrative wording in light of IAASB and NSS feedback
  - IASB staff has been consulted and agrees wording is in line with IFRSs
- Operationalize the reporting requirements based on this wording
  - Make explicit the auditor’s need to conclude on the appropriateness of the use of the GC basis of accounting
- Replace “GC assumption” with “GC basis of accounting”
Objective of Proposed Changes to ISA 570 (cont.)

• Illustrate how the wording and presentation would be modified when a material uncertainty is identified, including when disclosure about MU is insufficient or omitted
• GC section is not presented when the auditor disclaims an opinion
• GC section to be adapted when the auditor’s report is prescribed by law or regulation
Main Changes to Proposed ISA 700 since April

• Changes to wording of statement of compliance with relevant ethical responsibilities – focus on explicit assertion of independence
  – Application material to explain potential complexities (e.g., in group audit situations)
  – Approach supported by IESBA and CAG Working Group

• Refinement of minimum elements when law or regulation prescribe the form and content of the auditor’s report
  – Approach supported by NSS
Objective of Proposed Changes to ISA 705

- Ensure that changes to proposed ISA 700 (Revised) and effect of proposed ISA 701 are appropriately taken into account
- Revise illustrative examples to incorporate new elements and mirror unmodified reports to the extent appropriate
- Clarify reporting requirements when the auditor disclaims an opinion
Objective of Proposed Changes to ISA 706

- Retain the concepts of EOM and OM paragraphs as defined in extant ISA 706
- Clarify the relationship between EOM, OM and KAM
  - Ensure that EOM and OM paragraphs are not used for matters that would be determined to be KAM when proposed ISA 701 is applicable
- Explain that OM paragraphs may be used to describe matters of audit scope and strategy
  - Auditor may consider it necessary to do so or may be required by law, regulation or national standards (e.g., new UK FRC requirements)
Other Areas for Discussion

• Implications for other IAASB Standards
• Effective date
• Exposure period
  – Field testing and other outreach
• Explanatory Memorandum