

1. Do respondents have any comments about the issues identified in Section II regarding the perceptions of auditor reporting today?

We consider that it is necessary to improve communication between the auditor and the user of the auditor's report, who does not have to be an expert on auditing standards.

The best solution could be a link to the Web of the national regulator (for example, ICAC, in Spain) where the nature, objectives, processes and limitations of the audit (what it is and what it is not) are explained in a concise but complete way.

2. If respondents believe changes in auditor reporting are needed, what are the most critical issues to be addressed to narrow the information gap perceived by users or to improve the communicative value of auditor reporting? What classes of users are, in the view of the respondents, most affected by these issues? Are there any classes of users that respondents believe are unaffected by these issues?

Issues such as the materiality used by the auditor for the carrying out of his/her work, identification of significant and sensitive assumptions underlying the valuation of assets and liabilities or the type of services provided by the auditor or his/her network to the audited entity and related parties, are matters of which knowledge can be important for the addressee of the auditor's report.

Regarding the assumptions and any other information provided by the auditor, it is very important that roles and responsibilities are very clear and no confusion arises. Information about the entity, as far as it is useful and required by the accounting regulations, is the Board of Directors' responsibility, must be disclosed in the financial statements and not provided by the auditor. Otherwise, the auditor's independence could be seriously jeopardized and he/she could be involved in the role of the management. The auditor's role should be to explain the assumptions he/she has considered as being more sensitive in his/her revision, what tests he/she has performed to assure him/herself of their reasonability, etc. Additionally, the range of the figures or assumptions made by the audited entity could be indicated, that is, if they are at the top, at the bottom or in the middle of the range of the assumptions acceptance. And if the position within the range is consistent with the one performed the last year or a systematic change of trend can be appreciated (a bias).

3. Do respondents believe that changes are needed for audits of all types of entities or only for audits of listed entities?

In principle, the changes should be applied to all types of entities, in order to keep the consistency of audits. Regarding the auditor's report, its model should be the same, no matter the type of entities and the type of audits.

It could happen, however, that some of the changes wouldn't affect certain entities due to the type of the activity they carry out.

4. Respondents are asked for their reactions to the options for change regarding the format and structure of the standard auditor's report described in Part A. Do respondents have comments about how the options might be reflected in the standard auditor's report in the way outlined in Appendix 1 of this Consultation Paper?

5. If the paragraphs in the current standard auditor's report dealing with management and the auditor's responsibilities were removed or re-positioned, might that have the unintended consequence of widening the expectations gap? Do respondents have a view regarding whether the content of these paragraphs should be expanded?

Answers to questions 4&5:

Generally speaking, we consider that the problems the audit finds in the financial statements should be contained in the auditor's report. On the other hand, the issues related to the audit work (including auditor's responsibility) should be included in another document, easily accessible to users.

In order to reduce the expectation gap, we believe that the methodology used should be explained to the addressee of the auditor's report, for example, in the auditor's report itself or in an appendix to the auditor's report to be disclosed to the public or, as mentioned before, linked to the national regulator Web. There should be models not too long, concrete and clear for easy reading and understanding. Such additional explanations could be useful, particularly with regard to public interest entities, and could be addressed to sectorial regulators, stock market authorities and the public in general.

In a different document (an annex or appendix to the auditor's report) generic issues as the degree of safety to be provided by an audit should be explained, also that the methodology is based on risks assessment and selective tests of balances and transactions of which scope, nature and timing are determined by the risk of those balances and transactions, type of sampling, the internal control assessment, the degree to which effective assessment of internal control has been considered to reduce the effort on substantive tests and audit procedures applied to verify the reasonableness of the accounting estimates of significant risk, materiality determined by auditors as well as the auditor responsibility in checking the compliance with regulations applicable to the audited entity and also in relation to a hypothetical fraud of the audited entity.

6. Respondents are asked for their reactions to the possibility that the standard auditor's report could include a statement about the auditor's responsibilities regarding other information in documents containing audited financial statements. Do respondents believe that such a change would be of benefit to users?

7. If yes, what form should that statement take? Is it sufficient for the auditor to describe the auditor's responsibilities for other information in documents containing audited financial statements? Should there be an explicit statement as to whether the auditor has anything to report with respect to other information?

Answers to questions 6&7:

We consider that the auditor should be held responsible regarding other information in documents containing audited financial statements.

This responsibility should be similar to the one currently applicable to the management report (informe de gestión) by the Spanish regulation: the auditor is responsible for verifying that the management report and the audited financial statements agree.

8. Respondents are asked for their views regarding the auditor providing additional information about the audit in auditor's report on the financial statements.

9. Respondents are asked for their reactions to the example of use of "justification of assessment" in France, as a way to provide additional auditor commentary.

10. Respondents are asked for their reactions to the prospect of the auditor providing insights about the entity or the quantity of its financial reporting in the auditor's report.

Answers to questions 8,9&10

In answers to questions 4&5, we mention some the subject matters that we consider significant in an auditor's report in order to improve its communicative value. Some of them are already included in paragraph 62 of your Consultation Paper.

In particular, we understand it is important that the auditor provides information about issues regarding related estimations or issues that may lead to uncertainty.

We consider that the French "justification of assessment" format (as information annexed to the auditor's report) could be a good starting point.

About the use of the "Emphasis Matter" and "Other Matter" paragraph, we would like to point out that:

- The use of the "Emphasis Matter" shouldn't increase endlessly. This paragraph should be used to communicate uncertainties difficult to quantify and that are disclosed in the financial statements.
- The information contained in the "Other Matter" paragraph is closely related to financial information or to the audit. But this paragraph shouldn't be used to provide information that is not in the financial statements and should be. If this situation happened, the auditor's report should contain a modified opinion.

11. Respondents are asked for their reactions to the options for change relating to an enhanced model of corporate governance reporting, as described in Section II. Part D.

12. To the extent that respondents support this model, what challenges may be faced in promoting its acceptance? Also, what actions may be necessary to influence acceptance or adoption of this model, for example, by those responsible for regulating the financial reporting process?

13. Do respondents believe assurance by the auditor on a report issued by those charged with governance would be appropriate?

Answers to questions 11,12&13

If the audit committee issues the report mentioned in this Section, the auditor shouldn't report on it, because the audit committee is who assesses the auditor's eligibility, his/her degree of independence, etc. We consider it could be more important to take measures that guarantee the function of each of them.

14. Respondents are asked for their reactions to the need for, or potential value of, assurance or related services on the type of information discussed in Section III, Part E.

15. What actions are necessary to influence further development of such assurance or related services?

Answers to questions 14&15

Generally speaking, we don't think auditors shouldn't provide assurance on information not included in the audit of financial statements. However, one of the subject matters proposed in paragraph 88 of your Consultation Paper (internal controls and risks related or derived from financial reporting processes) is already included in the remit of the audit. The rest of them are (or could be) in the remit of other entities (financial analysts, etc.)

Ad-hoc regulation should have to be developed to extend the scope of the audit in order to provide assurance on other information.

16. Respondents are requested to identify benefits, costs and other implications of change, or potential challenges they believe are associated with the different options explored in Section III.

17. Do respondents believe the benefits, costs, potential challenges and other implications of change, are the same for all types of entity? If not, please explain how they may differ.

18. Which, if any, of the options explored in Section III, either individually or in combination, do respondents believe would be most effective in enhancing auditor reporting, keeping in mind benefits, costs, potential challenges and other implications in each case? In this regard, do respondents believe there are opportunities for collaboration with others that the IAAS should explore, particularly with respect to the options described in Section III, Parts D and E, which envisage changes outside the scope of the existing auditor reporting model and scope of the financial statement audit?

19. Are there other suggestions for change to auditor reporting to narrow the "information gap" perceived by users or to improve the communicative value of the auditor's report?

Answers to questions 16,17,18&19:

Some of the suggested changes to the auditor reporting could imply an increase in costs. Still, it should be assessed if this increase leads to an improvement in auditor's report usefulness.

On the other hand, audit's reports with more informative content could help the control and oversight activities.

In any case, a more informative auditor's report should not blur the boundaries between management/those in charge of governance and auditor roles. The confusion of roles can threaten the auditor independence.