



International Auditing and Assurance Standards Board

529 5th Avenue, 6th Floor  
New York, New York 10017

Nijverdal, 3 oktober 2012

Kenmerk: 2012-9-13-COR-RO

Betreft: Invitation to comment on improving the auditors report,

Dear Sir/Madam,

I value the invitation to comment on improving the auditors report. I want to make a compliment to the authors of the invitation to comment: Improving the Auditors Report. I think it is a great step forward giving more transparency. Following is a summary of my response to the invitation to comment for your consideration.

1. Overall, do you believe the IAASB's suggested improvements sufficiently enhance the relevance and informational value of the auditor's report, in view of possible impediments (including costs)? Why or why not?

I think the suggested improvements enhance the value of the auditors report. However I think we should consider the amount of assurance given. The auditors report is now only a report with a pass or fail opinion of the total financial statements. Considered should be if the opinion, which now is a 'top down' opinion of the total financial statements should get additional information bottom up. I mean that assurance is given by the specific management assertions in the financial statements and also is mentioned the amount of assurance (i.e. reasonable assurance or less/or more assurance on a scale from zero to a hundred percent). In addition the auditor can give audit commentary for the most important matters in the financial statements.



2. Are there other alternatives to improve the auditor's report, or auditor reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others? Please explain your answer.

I think there are alternatives to improve the auditors report. There should be considered if auditors should be more clear about there work on fraud and also report on material weaknesses in the internal control system. Considered should also be to report on material strategic risks in relation to company goals which are high or significant risks. Reporting on these issues can make investors or other stakeholders make aware of risks or weaknesses which should be assessed. If issues are more transparent for stakeholders they can ask for explanation by those charged with governance. Although we should also consider that some information may be confidential.

3. Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the auditor's report? Why or why not? (See paragraphs 35–64.)

I think the Auditor Commentary is an appropriate response to provide more information. Probably it is a good idea to ask Stakeholders which information they like to see.

4. Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgment of the auditor, with guidance in the standards to inform the auditor's judgment? Why or why not? If not, what do you believe should be done to further facilitate the auditor's decision-making process in selecting the matters to include in Auditor Commentary?1 (See paragraphs 43–50.)

I think first users of financial statements should be asked which information they like to see in the audit commentary. I think the ISA's can give suggestions for matters which should be mentioned in the audit commentary. For example there should be considered if high risks with material impact and material weaknesses in internal control should be mentioned in the auditors report. But I think it should not be obligatory to follow specific rules. The auditor should use in this case professional judgment.

5. Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary? (See paragraphs 58–61.)

I think the audit commentary gives sufficient value for what users seek.



6. What are the implications for the financial reporting process of including Auditor Commentary in the auditor's report, including implications for the roles of management and those charged with governance (TCWG), the timing of financial statements, and costs? (See paragraphs 38 and 62–64.)

I think the audit commentary can give more value to the audit. Although I think it can slow down the process of reporting because audit commentary should be discussed with those charged with governance. However it can also emphasis matters which should be known by stakeholder as I mentioned before.

7. Do you agree that providing Auditor Commentary for certain audits (e.g., audits of public interest entities (PIEs)), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided? (See paragraphs 51–56.)

I think there should not be a difference between public interest entities and other entities which are audited. A thing which should be considered by auditing smaller entities is that the governance-structure is less organized. Considered should also be if there are just a few stakeholders in example the tax office and a bank that the stakeholders should be asked which information they like to have. The auditor can take the initiative and discus with the management if it is possible to give the information on matters asked by the bank and a tax office.

8. What are your views on the value and impediments of the suggested auditor statements related to going concern, which address the appropriateness of management's use of the going concern assumption and whether material uncertainties have been identified? Do you believe these statements provide useful information and are appropriate? Why or why not? (See paragraphs 24–34.)

I think the auditor should be careful in stating an explicit opinion about going concern matters. I think it is good to mention matters but I think it is also good to record a sufficient warning about the uncertainties of the future. I think if only is reported on going concern and there is not a sufficient warning the expectation gap could be increased.



9. What are your views on the value and impediments of including additional information in the auditor's report about the auditor's judgments and processes to support the auditor's statement that no material uncertainties have been identified? (See paragraphs 30–31.)

I think this adds value for users. They can see there are no uncertainties. I think the auditor should consider if there has to be given more information about revenue streams or other trends which can indicate positive or negative going concern assumption. For example: There could be considered trends of revenue streams and also there could be considered how innovative a company is (new products ,revenues, costs).

10. What are your views on the value and impediments of the suggested auditor statement in relation to other information? (See paragraphs 65–71.)

There should be considered how users of financial statements interpretate a going concern statement because an auditor cannot give assurance about the future.

11. Do you believe the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in the illustrative auditor's report are helpful to users' understanding of the nature and scope of an audit? Why or why not? Do you have suggestions for other improvements to the description of the auditor's responsibilities? (See paragraphs 81–86.)

I think it is good to make more clear what management responsibilities are concerning going concern statements. I think also the management responsibility in presenting financial statements which give a true and fair view according to generally accepted accounting principles should be emphasized. I think it is good because most people are not exactly aware of the responsibilities of those charged with governance. If it possible there should be a summarized description of the responsibilities of the audit committee, the CEO, CFO and other persons who have a formal responsibility and are involved in the process. I think it is good that financial reporting process is explained in the financial statements, maybe some law and regulation should be adapted to make transparency about this process possible. The auditor can refer to this explanation of the process and the responsibilities.

12. What are your views on the value and impediments of disclosing the name of the engagement partner? (See paragraphs 72–73.)

I think it is good because it makes clear who is accountable for the auditors report. The impediments can be that companies can put pressure on one person, because only one person can change the opinion of the financial statements.



13. What are your views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary? (See paragraphs 77–80.)

I think explaining the involvement of other auditors makes the opinion of the group auditor less relevant, because users may expect the group auditor has done enough work to know material matters which should affect his opinion of the consolidated statements and the statements of the parent company. If the group auditor shares his responsibility with another auditor this can cause less transparency.

14. What are your views on explicitly allowing the standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority, or to an appendix to the auditor's report? See paragraphs 83–84.)

I think if the auditor report should be one report. If the auditor has relevant issues some boilerplate language does not matter.

15. What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users? (See paragraphs 17–20.)

I think if the auditors report is more relevant to users structure does not matter.

16. What are your views regarding the need for global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, are used? (See paragraphs 21–23 and 87–90.)

I think the building block system of the IAASB is a good idea. I think IAASB should mention the paragraphs which could be recorded in the auditors report. I think it is necessary that national standard setters can change the hierarchy and can prescribe the obligation of recording the paragraph because some government or other entities may need a specific hierarchy.

17. What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulation require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices? (See paragraph 17 and Appendix 4.)

See my answer above.



18. In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What considerations specific to audits of small- and medium-sized entities (SMEs) and public sector entities should the IAASB further take into account in approaching its standard-setting proposals? (See paragraphs 91–95.)

I think IAASB should consider the difference in governance structure between large companies, public entities and small and medium sized companies. I like to emphasize that in smaller and medium sized companies it is possible that all governance issues can be carried out by just one director. In public entities and larger companies often the governance structure and the reporting process is more formalized. For little companies IAASB should consider if there are chances to adapt to that there are just two or three stakeholders. Auditors should consider if there are chances to get those stakeholders more involved in the reporting process.

I hope I have contributed to the process of standard setting with this letter.

Kind Regards  
Ambitions.nu Accountants & Adviseurs  
namens deze,

R.G.H. (Richard) Overweg AA