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16 September 2011

**Response to the IAASB Consultation Paper “Enhancing the Value of Auditor Reporting:
Exploring Options for Change”**

Dear Sirs,

Assirevi is pleased to response to the IAASB Consultation Paper “Enhancing the Value of Auditor Reporting: Exploring Options for Change”.

Our detailed comments are set out in the attached document.

Should you wish to discuss our comments, please do not hesitate to contact us.

Yours faithfully,



Mario Boella
Chairman of Assirevi

RESPONSE TO THE IAASB CONSULTATION PAPER:

“Enhancing the Value of Auditor Reporting: Exploring Options for Change”

(May 2011)

Responses to questions:

Issues Identified

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

Assirevi is aware of the needs of investors, and the market in general, for reliable and high quality information that provides an overall picture of an entity’s financial position and performance and the sustainability of its activities over time, especially in the context of the crisis that has hit the market in recent years.

We believe that the auditor can contribute to improving the quality of information provided to the market by directors and/or those charged with governance. However, any consideration of the role of the auditor as part of the overall financial reporting process should take into account the following significant aspects:

- (i) each jurisdiction sets rules governing the information, in terms of quantity and quality, to be disclosed to the market by directors and/or those charged with governance. A first assessment of whether those rules are appropriate for the needs of investors and the market or if they need to be defined (if not existing) or reinforced is therefore necessary. These assessments should be conducted at legislative and regulatory level, possibly balancing the market’s needs for increasingly precise and accurate information with the risk that an excessive level of information could create confusion, rather than improving the market’s understanding of the entity, and with the cost of producing this information that would be borne by the market;
- (ii) the above rules provide that the responsibility for decisions about the information content and how it is prepared and disclosed to the market lies with specific parties within the entities, which vary in each jurisdiction (e.g., directors and/or those charged with governance);
- (iii) the role of the auditor, as per its current definition, is to provide “assurance” about the information provided by directors and/or those charged with governance, or to state that they have omitted significant data and information in their financial reporting. The auditor’s duties do not include the obligation to directly disclose data and information in addition to those presented by directors and/or those charged with governance;

Therefore, as part of the broader process of defining the adequacy and improving the quality of the information disclosed to the market, *(i)* the national and supranational regulators; *(ii)* the individuals/bodies within the entities that actually prepare the information or supervise and monitor the reporting process; and *(iii)* the authorities responsible for drafting the reporting standards with which the individuals/bodies referred to in point *(ii)* shall comply, assume even more importance than the auditor.

Assirevi also supports the idea, as highlighted in the Consultation Paper, to evaluate and share options to improve the understandability and usefulness of auditor reporting and, thus, increase the credibility of the information disclosed to the market by the relevant individuals/bodies. In this context, Assirevi aims to provide its contribution by replying to the questions of the Consultation Paper.

- (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? Which classes of users are, in the view of respondents, most affected by these issues? Are there any classes of users that respondents believe are unaffected by these issues?**

Assirevi believes that users should specify what information they need to reduce the information gap they perceive and whether their needs relate to all types of entities or whether different levels of information can be identified, depending on the type of entity.

That being said, further improvements in the information provided by the auditor through the audit report on the financial statements in addition to that currently required by the International Standards on Auditing on auditor reporting could be envisaged (see the responses to questions in the next section “Exploring Options for Change”).

In any case, it is important that users understand and agree on an essential aspect, i.e., that the auditor cannot be the primary source of information. Otherwise, this would undermine the segregation of roles and responsibilities among the directors and/or those charged with governance on the one hand, and the auditor, on the other, as already mentioned in our response to question 1.

To reduce the information gap, the auditor could be requested to conduct additional activities that provide “assurance” on information that does not relate directly to the financial statements but which falls within the broader category of corporate reporting, such as that included in the “management discussion and analysis”. As we emphasise later on and, in particular, in our response to question 14, in such cases, generally accepted reporting standards for the relevant individuals/bodies and generally accepted assurance and reporting standards for auditors would need to be implemented.

It is useful to emphasise that any further “assurance” activities that may be requested of the auditor in relation to information that does not directly relate to the financial statements but to the broader corporate reporting category cannot alter the auditor’s responsibility in relation to the financial statements themselves, which is to express an opinion on the financial statements as a whole.

Therefore, any requests that the auditor provide “assurance” about information other than that included in the financial statements, prepared by the relevant responsible parties in accordance with a defined framework, should necessarily lead to a different auditor responsibility than that resulting from the audit of the financial statements, to be evaluated in the light of specific generally accepted professional standards. The above is essential, on the one hand, in order to maintain the quality of the work required and, on the other, to enable third parties to gain a clear understanding of the characteristics and peculiarities of the auditor activities, including with the aim of reducing the expectation gap.

Please see our response to question 3 with regard to Assirevi’s considerations on entities potentially affected by the changes.

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

As already indicated in our response to question 2, Assirevi believes that the market, especially users of financial statements, should indicate whether the needs for a reduction of the information gap relate to all types of entities or only some of them.

However, in principle, Assirevi believes that any changes aiming to reduce the information gap, with reference either to the content of the audit report or to any further requests to provide “assurance” about information other than that included in the financial statements, can be adopted only for listed entities, given the large number of stakeholders involved and the special need for reliable information, especially considering the objective of correct working of markets.

Conversely, we believe the information gap has a relatively smaller relevance for non-listed entities, particularly SMEs, as the users of their information are usually less in number and can obtain such information through alternative channels, primarily through direct contact with the entity.

With reference to the changes aiming to reduce the expectation gap, such as those mentioned in our responses to questions 4, 5 and 6, Assirevi believes that these are relevant to all types of entities.

Exploring Options for Change

A. Format and Structure of the Standard Auditor’s Report

(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?

Taking into account that the standard auditor’s report provided for by ISA 700 has not yet been adopted by the Italian legislation, Assirevi believes that this standard, with a clear division into paragraphs, each with a specific title in order to clarify its content, could be adapted to allow the reader to understand the procedures carried out by the auditor and the resulting findings. Moreover, Assirevi understands the needs of the market and investors as mentioned above and considers some of the changes proposed in sections 36-50 of Consultation Paper and Appendix 1 - Illustration 2 reasonable, in particular:

- (i) in general, the use of less technical terminology which is more understandable by users, while, however, trying to find the right balance between the necessary clarity and correctness of the technical information provided;
- (ii) expansion of the standard content of the paragraphs dealing with management and the auditor’s responsibility in order to shorten the expectation gap perceived by users. See also our response to question 5;
- (iii) moving the Auditor’s opinion paragraph to after the Introductory paragraph and Identification of the financial statements paragraph for greater emphasis purposes. Moreover, any changes to the current layout of the paragraphs in the audit report will necessarily result in the revision of ISAs 700, 705 and 706 to provide clear rules of conduct in all the circumstances of expression of a modified opinion and, thus, allow proper understanding of the opinion expressed by the auditor and its responsibilities by the users of financial statements.

With reference to the other two changes proposed by Appendix 1 - Illustration 2 (“Auditor reporting on other information in documents containing the audited financial statements” and “Auditor commentary”), see our responses to the questions included in subsequent sections B.6/7 and C.8/9/10.

- (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?**

We believe that the paragraphs in the current standard auditor’s report dealing with the different management and auditor’s responsibilities (i.e., preparation of the financial statements and performance of the audit, respectively) should be maintained. However, the possible relocation of those paragraphs to another part of that report, as suggested in Appendix 1 - Illustration 2 of the Consultation Paper, with the “About the financial statements audit” paragraph placed at the end of the report, could be assessed.

Indeed, we believe that the suggested elimination of those paragraphs, or their inclusion in a separate document, as proposed in the Consultation Paper, would definitely result in an undesired expansion of the expectation gap, as it would make a proper understanding of the roles of those involved more difficult.

Conversely, Assirevi holds that an appropriate reduction of the expectation gap might be more properly pursued through the extension of the content of those paragraphs, as indicated in our response to question 4 (see point ii)). With regard to the possible content of the “extended” paragraphs, useful hints can be found in the document “Changes to the Auditor’s Report - Model Approach for Consideration” sent by the Center for Audit Quality (CAQ) to the Public Company Accounting Oversight Board (PCAOB) on 9 June 2011 (see in particular Example A), and available at http://www.thecaq.org/newsroom/pdfs/CAQ_June28Letter_PCAOBRulemakingDocketMatterNo.34.pdf.

Moreover, we believe that the mere extension of the content of the above paragraphs is not in itself sufficient to reduce the expectation gap. For this purpose, initiatives such as education, training and informational publications to users of financial information might be more useful, or, in Italy, a specific informational activity carried out by the Committee for Internal Control and Audit pursuant to article 41 of Directive no. 2006/43/EC (the “Audit Committee”) which, when proposing the party to which the audit engagement should be conferred to the shareholders in a general meeting, should explain the content of the engagement, possibly referring to the most significant paragraphs of the engagement letter submitted by the auditor.

B. Other Information in Documents Containing Audited Financial Statements

- (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?**

Taking into account ISA 720 on the auditor’s responsibilities in relation to other information in documents containing audited financial statements, we believe that the inclusion in the audit report of a description of the type of activity that the auditor carries out in such cases and related responsibilities could help to further reduce the expectation gap. To this end, however, the following would be required:

- (i) in the light of the progressive increase in the type, amount and complexity of information accompanying the financial statements, greater clarity in the standard of what constitutes “other information”;
- (ii) a description in the audit report of the type of activity performed by the auditor clearly explaining that the auditor has not audited the other information in the documents and, therefore, does not provide any assurance thereon.

The above could be considered as part of the Proposed IAASB Strategy and Work Program for 2012-2014 in which it already provides for the completion of the revision of ISA 720 “The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements”.

(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 the other information?

With reference to the form of the specific statement mentioned above, a useful point of reference could be found again in this case in the afore-mentioned document “Changes to the Auditor’s Report - Model Approach for Consideration” of the Center for Audit Quality, which explains:

- (i) what is the other information examined by the auditor and what has been excluded;
- (ii) the type of activity performed by the auditor and the resulting responsibility, specifying that no audit is carried out thereon;

The auditor can then highlight any material inconsistencies or misstatements of material facts found in the other information using a specific statement that could be presented as an “Other matter paragraph” in accordance with ISA 706.

Moreover, due to the implementation of two EU directives (Directive no. 2003/51/EC only for the mandatory part and Directive no. 2006/46/EC), the Italian legislation has introduced additional specific auditor’s responsibilities relating to:

- (i) the expression of an opinion on the consistency of the directors’ report with the financial statements to which it refers for all companies;
- (ii) the expression of an opinion on the consistency of specific information contained in the report on the corporate governance and ownership structure with the financial statements for issuers of securities traded on regulated markets.

In Italy a professional standard has been issued, with specific reference to the expression of the opinion in point (i), covering the requirements and guidelines for the procedures to be carried out in order to express an opinion in the cases mentioned above, and how to formulate this opinion in the audit report.

C. Auditor Commentary on Matters Significant to Users’ Understanding of the Audited Financial Statements, or of the Audit

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

Assirevi believes that the auditor providing additional information on the characteristics of and approach to the audit in the audit report could, under a purely theoretical viewpoint, reduce the expectation gap and also affect the information gap. Indeed, providing information about the audit approach applied, including decisions relating to materiality, a

description of the main areas of risk of material misstatement, significant estimates, significant judgments made by the auditor, any difficulties encountered during the audit process and how these were resolved, would result in a wealth of information and a level of detail that could impair the report's clarity and comparability, while there could still be a significant risk that the specific context of the audit carried out is not fully understood.

Moreover, as explained in the Consultation Paper (paragraph 63.c)), the above may create the perception that the auditor expresses opinions or partial conclusions on specific items or on a specific financial statements disclosure, in contrast with the independent auditor's overall objectives, outlined in ISA 200, of providing an opinion on the financial statements as a whole.

Finally, any decision to provide detailed information on specific activities in the audit report would require users to have a good understanding of auditing standards and, more generally, the audit process and its approach, and insight about the Company's operations and results that normally cannot be derived from the outside. Reference is made in this regard to the response to question 5. We note that, in the Italian governance model, such additional information may be provided in an interactive way to the Audit Committee in different occasions during the audit as part of the two-way communication between the auditor and the Audit Committee.

Based on the above, Assirevi expresses concerns that including additional information on the audit characteristics and approach in the body of the audit report would only be an apparent benefit to the information gap perceived by users of financial statements; such theoretical benefit could outweigh the risk that the specific context of the audit carried out is not fully understood and, accordingly, would not reduce the expectation gap. On the other hand Assirevi believes that the users of the audited financial statements could benefit from a more extensive use of the emphasis of matter paragraphs, as further described in our response to question 10.

(9) Respondents are asked for their reactions to the example of use of “justification of assessments” in France, as a way to provide additional auditor commentary.

With reference to the “justification of assessments”, our considerations in response to question 8 apply primarily, as the actual usefulness of such additional information should be specifically assessed in the light of the financial statements users' understanding of both reporting and auditing standards.

In any case, with the passage of time and with reference to the same entity, this paragraph could take on standardised content and language (“boilerplate reporting”), with the effect of reducing the comprehensiveness of the audit report and, therefore, contradicting the purpose for which it was introduced.

Finally, as noted in our response to question 8, the risk could arise that users of financial statements would perceive that the auditor is expressing an opinion on individual financial statements items and not on the financial statements as a whole, or imply that the audit activities are limited to the items mentioned in the paragraph in question, in contradiction to the provisions of ISA 200.

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

Assirevi believes that the auditor's role is to provide assurance to stakeholders about information whose preparation and disclosure is the responsibility of the directors; in the Italian governance model, discussions on insights about the entity or the quality of the

financial reporting are currently addressed in an interactive way between the auditor and the audit committee in different occasions during the audit as part of the two-way communication; any requests of auditors to provide the market with the types of information mentioned in the Consultation Paper about the entity and its financial reporting system could create a dangerous confusion of roles and responsibilities among directors and/or those charged with governance and the auditor. Accordingly, we believe that it would not be appropriate for the auditor directly provide insights about the entity whose financial statements are being audited or the quality of its financial reporting. Additionally, changes to the current governance model would need to be carefully evaluated with respect to the local legal and regulatory landscape.

If the market deems that obtaining the above information is useful in order to reduce the information gap, its preparation and disclosure would be the responsibility of directors and/or those charged with governance. The auditor could provide assurance on this information, but generally accepted reporting standards for the individuals/bodies responsible of preparing the relevant information and generally accepted auditing and reporting standards for auditors would need to be implemented.

Alternatively, or in combination with the above, for those information on the issues listed in the Consultation Paper, which presentation is requested under the relevant financial reporting framework, Assirevi believes that greater use of emphasis of matter paragraphs in the audit report could highlight those aspects considered essential to the understanding of the financial statements, helping to reduce the information gap. In such circumstances, a revision of ISA 706 would be advisable, in order to provide specific guidelines that promote consistent use of those paragraphs by the auditors in similar circumstances, limiting the use of “boilerplate language.”

D. An Enhanced Corporate Governance Model: Role of Those Charged with Governance regarding Financial Reporting and the External Audit

(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 III, Part D.

With a view to reducing the information gap, we are in favour of any initiative that strengthens the corporate governance structure of companies and, with particular reference to financial reporting, improves the effectiveness of internal information flows and external communication processes by those charged with governance, including the Audit Committee pursuant to article 41 of Directive no. 2006/43/EC.

With regard to the last aspect, in particular, in Italy, the *Collegio Sindacale* is required to provide the shareholders with an annual report on its activities. The *Collegio Sindacale* of Public Interest Entities (PIEs) is also assigned the Audit Committee role and the duties specifically assigned by national law, such as supervising the financial reporting process, the effectiveness of internal controls, internal audit and risk management as well as the statutory audit and the auditor’s independence. The report of the *Collegio Sindacale* of PIEs, therefore, also contains information on activities it carries out in its capacity as Audit Committee. We believe that the market could certainly benefit from greater uniformity in the preparation and presentation of this report. Intervention by the relevant authorities to codify standards of conduct in order to improve the understandability of the report would be advisable.

- (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?**

Given that corporate governance reporting models can vary significantly from country to country depending on their legal system, the possible improvement of existing models should be tackled with an approach that includes the involvement, on the one hand, of market players and users of information, possibly with a standardised solution at international level and, on the other hand, national legislators, regulators and standard setters.

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

In general terms independent assurance on the information provided by management or those charged with governance has the potential to provide value to stakeholders by increasing confidence in its accuracy and that it is not otherwise misleading. On this premise, Assirevi believes that, from a theoretical point of view, assurance provided on those charged with governance's report could enhance market confidence on such report even if a cost-benefit assessment would be required to determine the level, if any, of assurance required.

However, different legal framework must be considered. For example in Italy, the Audit Committee required for PIEs coincides with the *Collegio Sindacale* and its duties, defined in the law, include supervision of the statutory audit conducted by the auditor who must, in turn, present the same Audit Committee with a report on key audit findings and, in particular, any significant weaknesses identified in internal controls over financial reporting. In addition, in its capacity as supervisory body, the *Collegio Sindacale* proposes the shareholders appoint an auditor during the meeting that confers the statutory audit engagement. If the auditor was to be requested to provide assurance on a public report of the Audit Committee, this regulatory framework would lead to a cross-evaluation which would require further legal examinations and operating clarifications. In particular, if this approach is nonetheless considered appropriate, it would be necessary to firstly:

- (i) make changes to the legislation, both at European Union and national level, in order to implement the requirement for the Audit Committee to prepare its own report to be made public, including providing for its content, timing and basis of presentation;
- (ii) define the information that could be assured by the auditor, considering that as Audit Committee oversees the auditor, it would be inappropriate for the auditor to provide assurance on all aspects in the Audit Committee's report;
- (iii) define appropriate standards available to the auditor to perform assurance work and to report on the Audit Committee's report.

E. Other Assurance or Related Services on Information Not Within the Current Scope of the Financial Statement Audit

- (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.**

As already mentioned, Assirevi believes that the market, and especially users of financial statements, should indicate what information is necessary to reduce the information gap, considering the benefits from the availability of more information and the costs associated with preparing and disclosing it.

Moreover, assuming that any type of information must be supplied to the market by the directors and/or those charged with governance, the auditor, as part of the provision of non-audit services, could comment on specific information provided by directors and/or those charged with governance, such as that identified in paragraph 88 of the Consultation Paper, the Internal controls and financial reporting processes and the Key Performance Indicators.

However, the reporting standards to be adopted by the relevant parties and professional standards to which the auditor should make reference in performing their activities and reporting their findings should necessarily be defined beforehand.

In this regard, the reference legal or regulatory framework should be firstly identified, in order to clarify what professional activities are requested of the auditor and how they should express their conclusions.

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

The development of any assurance or related services in relation to information provided by the directors and/or those charged with governance, which are outside the current audit scope, will primarily depend on market demands and any changes in the law and regulations. In any case, we reiterate that it is very important that the relevant authorities and standard setters specify the criteria for the preparation of such information, the scope of non-audit services that auditors may perform and the ways in which they may be performed and reported on.

Implications of Change and Potential Implementation Challenges

(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.

We have summarised below our considerations in relation to the different options discussed in Section III of the Consultation Paper, partially already set out in the replies to relevant questions.

A. Format and Structure of the Standard Auditor's Report

The reporting format provided by the current ISA 700 is adequate to enable readers to understand the work performed by the auditor and the resulting findings.

Among the possible changes proposed in the Consultation Paper, those already mentioned in our responses to questions 4 and 5, i.e., *(i)* use of less technical terminology that is more understandable by users, *(ii)* expansion of the standard content of the paragraphs relating to the auditor's and management responsibilities, *(iii)* moving of the Auditor's opinion paragraph to after the Introductory paragraph and Identification of the Financial Statements paragraph, could make the audit report more comprehensible without increasing the related costs.

B. Other Information in Documents Containing Audited Financial Statements

The inclusion of a specific statement that covers the auditor's responsibilities for other information in documents containing audited financial statements in the audit report could reduce the expectation gap. Please refer to our responses to questions 6 and 7 for considerations on the possible content and characteristics of the statement.

C. Auditor Commentary on Matters Significant to Users' Understanding of the Audited Financial Statements, or of the Audit

We believe that any significant changes to the report model currently provided for by ISA 700 other than those referred to in points A and B, with particular reference to the proposed introduction of a specific paragraph ("Auditor Commentary") in which the auditor is asked to report "matters significant to users' understanding of the audited financial statements, or of the audit" could have the following effects:

- (i) possible burden in terms of the time spent by the auditor to prepare and check the audit report and, consequently, in terms of costs;
- (ii) depending on the circumstances, the auditing standards and the auditor's internal procedures, the need to subject the reports to the internal quality control or consultation procedures in order to ensure consistency among the reports issued within the same auditor's structure, resulting in an additional burden of time and costs;
- (iii) given that users of financial statements may not have in-depth knowledge of auditing standards and, more generally, the audit process and its approach, the need to provide detailed information directly in the report about the audit approach and procedures performed, to the detriment of the report's clarity and intelligibility and posing a significant risk of their non-understanding of the specific framework;
- (iv) risk of creating the perception that the auditor expresses opinions or partial conclusions on specific items, or on a specific financial statements disclosure, in contrast with the overall objectives of the independent auditor, as outlined in ISA 200, of providing an opinion on the financial statements as a whole.

Consequently, on the basis of the above, Assirevi believes that matters significant to users' understanding of the audited financial statements could be considered by means of a more extensive use of emphasis of matter paragraphs, to be included in a more comprehensive exercise to review the scope of ISA 706, rather than with the introduction of a specific paragraph ("Auditor Commentary"), while with reference to Assirevi concern about providing additional information on the audit in the auditor's report please see our response to question 8.

D. An Enhanced Corporate Governance Model: Role of Those Charged with Governance regarding Financial Reporting and the External Audit

If those charged with governance were required to issue reports on specific aspects of their activities, with obvious benefits for the market because of the consequent mitigation of the information gap, and the auditor was required to provide assurance on certain aspects contained in this report, depending on the local legislation, prior legislative and/or regulatory changes might be necessary in order to reflect these new requirements and, in particular, establish relevant responsibilities.

It would also be necessary to issue:

- (i) the standards that those charged with governance should adhere to for the preparation of the report containing the specific issues covered;
- (ii) the professional standards which the auditor should comply with in carrying out their assurance activities.

E. Other Assurance or Related Services on Information Not Within the Current Scope of the Financial Statement Audit

We believe that the possible attribution of other assurance or related services on information not within the current scope of the financial statements audit to the auditor, on which they should express an opinion on specific information provided by the directors and/or those charged with governance, would require the following:

- (i) the characteristics of other information that investors and the market deem appropriate and/or useful to be subjected to specific work by the auditor would need to be defined as well as the legislative and/or regulatory instruments governing the auditor's activities;
- (ii) the standards that the directors and/or those charged with governance should adhere to for the preparation of documents containing such information would need to be issued;
- (iii) the professional standards that the auditor should comply with in carrying out their activities would need to be issued;
- (iv) the possibility that the auditor may use the services of experts in specific areas, depending on the type of information upon which the auditor would issue an opinion, would need to be considered.

(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.

As mentioned in our responses to question 3, we believe that changes in the current reporting methods aimed at reducing the information gap could lead to benefits for listed entities, considering the high number of stakeholders interested in a wider range of information and the objective of the correct working of markets.

On the other hand, we do not envisage special benefits, but rather only increases in costs due to the effect of possible changes in current reporting methods for entities other than PIEs, such as "closed" companies, because those involved are less numerous and have a better chance of getting more information through direct contact with the entity, especially in the light of developments at European level concerning the reduction, as far as possible, of the administrative burden for small-medium sized enterprises (Simplification Project).

Finally, we reiterate that any changes aiming to reduce the expectation gap, such as those mentioned in our response to question 4,5 and 6, should create benefits for all parties and, therefore, Assirevi believes they are relevant for all types of entities.

(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 IAASB 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?

The current auditor's report model identified by ISA 700 could be made more easily comprehensible by making the changes indicated in previous responses to questions 4, 5, 6 and 7 (see also previous responses 16 A and 16 B).

In addition, together with such changes, we favour the increased use by the auditor of "emphasis of matter" paragraphs, the professional references to which can be found in the current ISA 706. However, it would be advisable that the content of this ISA be revised in

order to provide specific guidelines that promote consistent use of those paragraphs by the auditors in similar circumstances, limiting the use of “boilerplate language.”

As for the future possibility that the auditor be assigned other activities, as part of the audit of financial statements or outside the scope thereof, this should be preceded by legislative and/or regulatory changes and appropriate interventions by the standard setters, with reference to the guidelines for the preparation of information by the directors and those charged with governance as well as the reference professional standards for the auditor (see our responses to questions 2 and 14). In this context, close collaboration between regulators and standard setters, with the IAASB playing a key role in protecting auditors’ needs, would be highly desirable.

(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?

We have no further comments concerning possible changes to auditor reporting to narrow the “information gap” or to improve the communicative value of the auditor’s report. Should any suggestion for change arise from the users of financial reporting whose view is essential to evaluating the change that would result in greatest benefits, the IAASB should cooperate with other stakeholders in the process.

However, any change should take into account the following:

- (i) audit quality should be enhanced or at least maintained;
- (ii) the overarching principle that the role of the auditor is to provide assurance about information provided by the directors and those in charged with governance or to state that they have omitted significant data and information in the financial reporting should be followed. The auditor cannot be considered the primary source of information about the entity.