

Comments on Consultation Paper IAASB: “Enhancing the value of auditor reporting: exploring options for change”

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September 16, 2011

Dear Sir,

I appreciate the opportunity to comment on Consultation Paper IAASB: “Enhancing the value of auditor reporting: exploring options for change”. My comments are included below.

**Question 1:**

I think there are some areas where IAASB could make some minor improvements. However, I disagree in some major changes proposed. I will expand my opinion in my answers to the other questions.

**Question 2:**

Most affected users are public interest entities. SMEs are less affected, but not completely unaffected at all. Some of the most critical issues are:

- It is impossible to explain what an audit is in a few lines.
- Most users are not qualified to evaluate the quality of an audit.
- Providing information about audited entities to users’ decision making is a responsibility of management of the audited entities. Auditor responsibility remains providing assurance on that information provided by the audited entity.

**Question 3:**

An audit is an audit. Therefore, auditor report on financial statements must be the same for all entities. However, I think some of the additional information required could be presented in a separate report in some cases, as I will explain further later.

**Question 4:**

Option 1 (relocating explanatory paragraphs to a separate document) seems to be a good option, but I think IAASB should take into consideration the risk that users could read only the report without reading the “context”.

Option 2 (removing paragraphs) is a bad option, which could result in a widening of expectations gap. I agree with the considerations made in the consultation paper in paragraph 44 of Consultation Paper.

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Option 3 (repositioning of paragraphs) represent the risk that users read the opinion without the proper contextual information about what the opinion means.

I agree with the need of developing educational material stated in paragraph 45.

I think a good option could be to write a brief explanation of what an audit is in the audit report without repositioning the paragraphs, and make detailed references to relevant paragraphs of ISAs (specially ISA 200) for users who want more information about what an audit is, or make references to a separate document (like UK APB model).

Regarding use of technical language, I would like to make the following comments:

- Some of the “technical” words are audit terminology (like “material misstatement” or “reasonable assurance”) and some are accounting terminology (like “materiality” or “fair presentation”). Users should have an understanding of accounting terminology to understand financial statements. However, I think the use of technical audit terminology should be avoided if possible. If not, there is a need to make a brief explanation of that word.

#### **Question 5:**

As I explained before I think those options could result in widening the expectations gap.

I think providing an expanded description of the auditor’s responsibilities could be useful to reduce the expectations gap. However, it could result in very long reports, difficult to read. Therefore, a cost-benefit analysis is necessary.

#### **Question 6:**

Yes, I think that clarifying responsibilities do not imply a increase in the level of responsibility (as stated in paragraph 52). However, it is impossible to explain every responsibility auditors have.

#### **Question 7:**

I think an explicit statement as to whether the auditor has anything to report with respect to the other information will provide more clarity. However, I think that should be an option of making an explicit statement in the audit report or to make reference to a separate report.

#### **Question 8**

Most users do not have a clear understanding of what an audit is. I think it could be very dangerous to provide additional information about the audit because most users do not have expertise enough to assess the quality of an audit.

There are some alternative options:

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- Report of the Audit Committee (for listed entities): such opinion could be useful to have an independent opinion on the audit work performed.
- Providing a separate document to users who requires it (for other entities), requiring that user a letter of agreement where users confirm their understanding of audit concepts and audit procedures.

### **Question 9**

I disagree because most users have not expertise enough to evaluate audit quality. It could result in widening the expectations gap.

### **Question 10**

I think reporting about the entity must be done by management. Auditors could write separate assurance reports about the quality of financial reporting. However, audit committees in many jurisdictions report on that issues.

### **Question 11**

I agree with the idea of audit committee providing reporting on financial reporting process and external audit (they are already do that in some jurisdictions).

I disagree with the idea of auditors providing assurance on that report because it is not reasonable that auditors report on audit committee’s opinion on their own work performed, as management do not provide a report on auditors assessment of the financial reporting.

### **Question 12**

Audit Committees report is outside of IAASB scope. I disagree with proposed audit report.

### **Question 13**

I disagree with the idea of auditors providing assurance on that report because it is not reasonable that auditors report on audit committee’s opinion on their own work performed, as management do not provide a report on auditors assessment of the financial reporting.

### **Question 14**

I think it will be valuable for users that auditors provide separate assurance reports on other information, when users or regulators requires it.

### **Question 15**

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I would make further consultations and evaluate the possibility of issuing specific ISAEs.

**Question 16**

Already responded in previous questions.

**Question 17**

No, benefits are greater for public interest entities (because they need more information) and costs are greater for SMEs (because of the increase of audit costs).

**Question 18**

I have no further comments than the previous ones.

**Question 19**

No.

If you have any questions, please contact me at [cristian\\_munarriz@yahoo.com.ar](mailto:cristian_munarriz@yahoo.com.ar).

Yours faithfully,

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