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IMPROVING THE AUDITOR'S REPORT

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We are Denise Juvenal and Manuel López are pleased to have the opportunity to comment on this consultation of the IMPROVING THE AUDITOR'S REPORT of the IFAC/IAASB. We agree with this study and we think that is very important for used practice management of the internal control in the companies, entities and governments.

The IAASB is seeking views on the suggested changes reflected in the improved illustrative auditor's report on pages 9–12 of this ITC, as well as the matters discussed in this ITC. In particular, the IAASB encourages stakeholders to respond to the following questions in order to assist its deliberations. In developing its suggested improvements, the IAASB has used a value and impediments model (see Appendix 1) in considering various options to enhance auditor reporting, and has included the relevant value and impediment considerations in the ITC. The IAASB seeks views on the value of, and impediments (including costs) to, its suggested improvements to better enable it to evaluate the relevant options and inform its standard-setting deliberations thereon. The IAASB welcomes responses even if they address only some of the listed questions. Respondents also are asked to provide specific reasons for their comments.

Overall Considerations

- 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?**

We believe the IAASB's suggested great improvements sufficiently enhance the relevance and informational value of the auditor's report, that include more internal control in the companies and organizations.

The auditor reporting has relation with the process of audit services, principally external and can be used for internal audit with effectiveness of internal control, if the organizations integrated the importance of the internal control.

In relation the costs we observed the impact of internal control, principally for internal audit, can be occur some difficulties in the organizations, because this point has relation with evaluating and improving governance¹ and investors demands² these points are discussed for IFAC, depends principally in how much the organization can be make investment in your internal control, independent if SMEs or Big organizations?

The Integrated Reporting in Pilot Program 2012³ has important informations that is very useful for organizations in relation the importance about internal control this idea need to be integrated for success of project and the results increase the control, transparency, effectiveness and quality information of the organization.

So, in this moment is very important observed the discussed that The Committee of Sponsoring Organizations of the Treadway Commission - COSO about internal control⁴ this result can be integrated more informations for auditor reporting and observed the experience in others local and principal regulators.

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.

We think that the auditor's report is complete for this moment, the IAASB integrated the most principal discussions that can be have impact in your standards, can be occur others discussions in the regulators that can be integrated in this proposal, we suggest, if the board agree, can be impact or not the auditor reporting as for example:

- Conceptual Framework⁵ in Financial Accounting Standards Board - FASB,
- The definitions about derivatives⁶ elaborated for European Securities and Markets Authority - ESMA,
- Code ethics⁷ for International Federation on Accountants - IFAC and
- Audit for financial instruments elaborated⁸ for Financial Reporting Council - FRC.

¹ <https://www.ifac.org/publications-resources/evaluating-and-improving-governance-organizations>

² <http://www.ifac.org/publications-resources/investor-demand-environmental-social-and-governance-disclosures>

³ http://www.theiirc.org/wp-content/uploads/Yearbook_2012/sources/indexPop.htm

⁴ <http://www.ic.coso.org/default.aspx>

⁵ <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1175801893139>

⁶ <http://www.esma.europa.eu/news/ESMA-defines-standards-derivatives-and-CCPs?t=326&o=home>

⁷ <http://www.ifac.org/publications-resources/proposed-change-definition-those-charged-governance>

⁸ <http://www.frc.org.uk/News-and-Events/FRC-Press/Press/2012/October/FRC-consults-on-updated-guidance-for-the-audit-of.aspx>

Auditor Commentary

- 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.)**

Yes. We 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. We think that this point can be similar the importance as Conceptual Framework⁹ elaborated for International Accounting Standards Board - IASB will be discussed in the new agenda of the International Financial Reporting Standards - IFRS.

We understand that in relation more information to users through the auditor's report depends of high quality that internal control of the organization resulting in clearly, transparency, objectivity and effectiveness.

- 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? (See paragraphs 43–50.)**

Yes. We agree that the matters to be addressed in Auditor Commentary should be left to the judgment of the auditor and we believe should be done to further facilitate the auditor's decision-making process in selecting the matters.

We have doubt in relation the discussion about Audit rules elaborated for European Commission about Corporate Framework¹⁰ and Audit Lessons for Crisis¹¹ and PCAOB about Audit Firm Rotation¹².

We do not know what is the function and impact of the operation these great projects related paragraph before in Auditor Commentary, we suggest if board agree observed these points and considering the experience of the Securities Commissions¹³ around the world that generally has responsibility of this registration in your regions.

⁹ <http://www.ifrs.org/Current-Projects/IASB-Projects/Conceptual-Framework/Pages/Conceptual-Framework-Summary.aspx>

¹⁰ http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework_en.htm

¹¹ http://ec.europa.eu/internal_market/consultations/2010/green_paper_audit_en.htm

¹² <http://pcaobus.org/Rules/Rulemaking/Pages/default.aspx>

¹³ <http://www.iosco.org/>

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.)

We think that the illustrative examples of Auditor Commentary have informational view point numbers 58, 59 and 61 and decision-making view point numbers 60 and 61.

The point 61 has aspect that integrated the description of audit procedures and related results in Auditor Commentary. We think that for this moment do not have others aspects valuable, but is very important observed the comments in the question number 4.

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.)

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, we complete that depends of high quality and effectiveness of internal control in the organization.

The internal control of organization is investment and your results will developed great projects related with Integrated Reporting, Risk Management, Audit Management, Engagement Team and Ethical Code in the activities and operations in company and your information with high quality is more useful for investors and stakeholders.

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.)

Yes, we 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.

Going Concern/Other Information

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.)

This question has relation number 1 and 6 but in relation going concern the principal uncertainties for us as transparency in the operations and legal rules, that can be more impact in the description in the auditor report, is very important contact local regulators for observed this experience for after understand if these statements provide useful information and appropriate. We believe that IFAC will be have success in this statement principally with relation useful information and appropriate.

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.)

This question has relation number 1 and 6 but in relation value and impediments of including additional information for us as transparency in the operations and legal rules, that can be more impact in the description in the auditor report, is very important contact local regulators for observed this experience for after understand if these statements provide useful information and appropriate. We believe that IFAC will be has success in this statement principally with relation identified of the material uncertainties.

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

This question has relation number 1 and 6 but in relation auditor statement in relation other information for us as transparency in the operations and legal rules, that can be more impact in the description in the auditor report, is very important contact local regulators for observed this experience for after understand if these statements provide useful information and appropriate. We believe that IFAC will be have success in this statement principally with relation auditor statement.

Clarifications and Transparency

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.)

Yes, we 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. We think that for this moment the suggestion for others improvements to the description, is not exist, most of important questions actual discussion in the regulators is in auditor reporting.

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

We agree with considerations 72-73, think that the value and impediments of disclosing the name of the engagement partner depends of objective of change, if we want transparency and clearly in the activities every person, entity and organization, public or private sector, internal or external audit need to specify what’s happened in company, how much your investment and principally if return is adequate and correct, we are responsibly of information, need to observed ethical code and engagement team, for result in the future transparency and clearly Integrated Reporting.

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.)

We agree with considerations 77-80, think that the value and impediments of disclosure regarding the involvement of other auditors depends of responsibility of each internal or external audit of the internal control, is need to specify with result of reporting objectivity, transparency and clearly.

We believe that the disclosure should be included the most of principal relevant circumstances, if created part of Auditor Commentary the organization is elaborated Integrated Reporting, this report need to be objective and notes need to be integrated with high quality in the financial reporting, if not can be occur some difficulties in the organizations.

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.)

We agree with considerations 83-84, think that this point is similar number 13, we believe that standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority depends of organizations and investment and costs for this application if include as information auditor's report is more easy considering the structure for elaborated this project.

Form and Structure

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.)

We agree with IAASB's that suggested great 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.

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.)

We agree with considerations paragraphs 21-23 and 87-90 about global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, but we suggest the IAASB observed some discussion in the regulators and principally consult the local regulator for understand the process of rules principally tax in this process.

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.)

We agree with considerations of this proposal but we think that should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulation require otherwise in relation the structure of this auditor commentary, principally with information about going concern, but the IAASB need this provide sufficient flexibility to accommodate national reporting requirements or practices, principally because can be occur in the future others great projects, for this is very important observed the project elaborated of European Financial Reporting Advisory Group – EFRAG about Proactive Considering the Effects of Accounting Standards¹⁴.

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

¹⁴ <http://www.efrag.org/Front/n1-973/EFrag-and-the-ASB-issue-Position-Paper-and-Feedback-Statement-for-proactive-project--Considering-the-Effects-of-Accounting-Standards-.aspx>

account in approaching its standard-setting proposals? (See paragraphs 91–95.)

Yes, the IAASB's need to observed improvements appropriate for entities of all sizes and in both the public and private sectors, as in the future for SME and public sector entities should the IAASB further take into account in approaching its standard-setting proposal, principally after discussion about Eurostat¹⁵ and IASB¹⁶.

Thank you for opportunity for comments this proposal; if you have questions do not hesitate contact to us, rio1042370@terra.com.br and mrejonlopez@gmail.com.

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¹⁵ http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations/ipsa

¹⁶ <http://www.ifrs.org/Alerts/SME/Pages/IFRS-SMEs-fact-sheet.aspx>