



# สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS  
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

October 8, 2012

Prof. Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board  
529 5th Avenue  
6th Floor  
New York, New York 10017

Dear Prof. Schilder,

## *Invitation to comment – Improving the Auditors' Report*

The Federation of Accounting Professions of Thailand (FAP) presents its compliments to the International Auditing and Assurance Standards Board (IASB) and has the honour to express our views concerning the Invitation to comment (ITC) – Improving the Auditors' Report. Our responses to the specific questions are set out in the appendix to this cover letter.

We appreciate and support the IAASB's intentions to improve the quality of auditors' reports. We welcome the concept of Auditor Commentary; however, this concept may be complicated for users. Moreover, they may get confused whether the auditors' report is merely an unqualified or an unqualified with emphasis of matters. Users may doubt the report accounting as a whole. While the IAASB has made significant progress shown in the ITC - Improving the Auditors' Report, we would like to propose that the IAASB consider a few significant concerns before the proposed requirements regarding the auditors' report are officially issued and applied in practice.

The Federation of Accounting Professions avails itself of this opportunity to the IAASB the assurances of its highest consideration.

Yours sincerely,

Pichai Chunhavajira  
President  
Federation of Accounting Professions of Thailand  
Bangkok, Thailand

Copy to: The Chairman of the Auditing Committee  
Federation of Accounting Professions of Thailand

**Response to the questions in the Exposure Draft – Audit Report**

**Question 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 are not sure whether the IAASB's suggested improvements enhance the relevance and informational value of the auditor's report because it attempts to provide information on audit procedures that may be too much and too complicated for users. Moreover, the auditor will also be confused as to what should be included in the report. Audit commentary, if not written appropriately, may lead to legal litigation filed by the client.

**Question 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.**

The auditor's report must be concise. The longer the report, the less useful to the users. Existing auditor's report is informative and long enough; however, some conditions for expressing opinion should be clearer.

**Question 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.)**

The benefit of this section is to provide detailed audit procedures and issues on financial statements; however, the unintended consequences may be that some technical terms are complicated; users may get confused whether the auditor's report is unqualified or unqualified with emphasis of matters while only regulators may benefit from such information.

Further, the issues of financial statements are normally disclosed to notes to financial statements so that it may be redundant and irrelevant to discuss them again in the auditor's report.

**Question 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.)**

There should be some guidance or minimum matters for auditor commentary and leave other important matters to an auditor's judgment. Leaving auditor commentary to the auditor's judgment may expose the risk of bias and information asymmetry made by auditors or audit clients.

**Question 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.)**

No, the illustrative examples of Auditor Commentary don't have informational or decision-making value to general users. On the other hand, they seem to destroy the general users' interest in the audit report because of the information overload. Audit commentary, if any, should be sent directly to regulators.

**Question 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.)**

Including Auditor Commentary in the auditor's report may lead the financial reporting preparation to be a much more time-consuming process since consideration regarding what matters should be included in auditor's commentary would be highly concerned and widely discussed.

Actually, these matters should be pointed out and resolved during the audit process. Such matters should be disclosed in the notes to financial statements. If there is any matter the auditor would like to bring to the attention of users, it should be in the emphasis paragraph.

**Question 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.)**

If the auditor's commentary is proved to be beneficial to users, this requirement should focus on audits of PIEs. Further, the audit report should be in a single form for all entities with only minor differences, because the difference could confuse the users. If audit commentary is made, it should be made for regulators of PIEs only.

**Question 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.)**

In our opinion, mentioning "going concern assumption" on the report will make users get confused whether this is the case of "ongoing" company report or "ceasing operation" report. The user may doubt the accounting report as a whole.

**Question 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.)**

Auditor's judgments are important for users in order to understand how auditors make decisions on what they audit. However, disclosure of auditor's processes may not be necessary for users since this information consists of technical terms and it may be considered as information overload.

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

The audit procedures for identifying inconsistencies in other information should be conducted by auditors in the normal audit process. Presenting this paragraph will remind auditors to perform such audit procedures. However, there is no proof that users could benefit from this information.

**Question 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.)**

We agree that this information is helpful to users' understanding of the nature and scope of an audit because it clearly describes the auditor's and management's responsibilities as long as including this information in the auditors' report does not make the auditors' report less concise and too long.

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

Disclosing the name of the engagement partner is expected to increase individual accountability, leading to audit quality. Further, in Thailand, we've disclosed the name of the engagement partner in the auditors' report for many years.

**Question 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.)**

This information does not clearly add value to users because auditors should evaluate work performed by other auditors. Besides, the group auditor should be responsible for the group and component audits.

**Question 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 still believe that an auditor's responsibilities should be laid out in the auditor's report. If there is something to be removed from the proposed auditor's report, it should be the audit commentary. And the commentary should be addressed directly to the regulatory bodies, not the general users.

**Question 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.)**

The structure of the report and placement of the auditor's opinion and auditor commentary are appropriate emphasis on matters that are of most importance to users. However, users may confuse matters that come under the auditor commentary paragraph will affect the auditor's opinion. On the contrary, users will focus merely on the auditor's opinion and may ignore matters in auditor commentary that may be useful for decision making. Hence, If IAASB insists on using this new audit report, IAASB should provide a well-structured report in order to avoid confusion of both auditors and users of the financial statements.

**Question 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.)**

Auditor's report should be consistent and convergent with auditors' reports in other countries such as the U.S. and the local auditing standards. In other words, auditors' reports all over the world should be consistent. This will assist with the understanding of users from all over the world.

**Question 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.)**

Providing auditor's opinion in the first order may be beneficial to users because they will get the auditor's opinion immediately. Auditor commentary may be considered in the last paragraph of the report similar to the emphasis of matter paragraph.

**Question 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.)**

The suggested improvements are suitable for auditing of PIEs. Please simplify the auditor's report and focus on the important points for auditing SMEs.