



October 8, 2012

Hunter College Graduate Program
Economics Department
695 Park Ave.
New York, NY 10065

International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017

Re: Improving the Auditor's Report

To Whom It May Concern:

The Advanced Auditing class (Eco 775) at Hunter College Graduate program in New York City appreciates the opportunity to comment on this important topic.

The class discussed the above Invitation to Comment and offers the attached response to questions for respondents and feedback.

If you would like additional discussion with us, contact Professor Joseph A. Maffia, at 212-792-0404.

Sincerely,

A handwritten signature in black ink that reads "Joseph A. Maffia". The signature is written in a cursive style.

Professor Joseph A. Maffia, CPA

**Hunter College Graduate Program
Economics Department
Advanced Auditing Class
Eco 775**

**Invitation to Comment
Improving the Auditor's Report**

October 8, 2012

Hunter College Advanced Auditing Class

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**Hunter College Graduate Program
Economics Department
Advanced Auditing Class
Eco 775
Fall, 2012**

**RESPONSE TO THE INVITATION TO COMMENT (ITC)
IMPROVING THE AUDITOR'S REPORT**

The Advanced Auditing Class has reviewed the above-referenced ITC and offers the following feedback for consideration by the International Auditing and Assurance Standards Board. Please note that our comments can be separated into two main categories: response to IAASB's questions and other suggestions.

Response to Particular Questions – for the sake of brevity we did not repeat the question and we skipped those questions for which we had no substantive comment:

Overall Considerations

- 1) IAASB's suggested improvements will increase the amount of information provided by the auditor however, this increased information might not be relevant to the stakeholder's primary concerns. Some of the auditor's commentary is information that should be sufficiently and adequately disclosed in the notes to the financial statements.
- 2) We agree that the IAASB should focus on creating a global auditor report. An alternative improvement to the auditor's report would be the communication of the significant factors that the auditor used in his judgment and require the auditor to quantify those key judgments they used as a basis for their opinion. See other suggestions for more specific details on this suggestion.

Auditor Commentary

- 3) We do believe that the concept of an auditor commentary is important – but the items recommended would not be appropriate and useful information. Most of this information is already disclosed in the notes to the financial statements and does not describe the key judgments made by the auditor.
- 4) We believe that the key factors used by the auditor that influenced his judgment in developing his conclusion should be communicated in the audit commentary. We do not believe that the matters to be addressed in the auditor commentary should be left to the judgment of the auditor.
- 5) We don't believe the illustrative examples are useful to the audit report stakeholders. We believe more quantitative information about the key components of the auditor's judgment should be used.

7) We believe that, if required it should be presented for all audits.

Going Concern/other information

9) We believe that it would be valuable to include additional information in the auditor's report, about the auditor's judgment and processes to support the auditor's statement that no material uncertainties have been identified. Although not as an auditor commentary but as supplemental information to the auditor's report.

Clarification and Transparency

11) We do believe that the enhanced descriptions of the responsibilities of the audit related parties will be helpful for users to have a better understanding of the work involved in an audit.

12) It does not seem to be necessary to include the engagement partner's name in the audit. There are more cons than pros to including this information. Having the name of the partner, without understanding the role of the quality control at that firm might be misleading and not meaningful across firms.

14) We favor moving such descriptive material to another location such as the website of the appropriate authority, or as supplemental information to the auditor's report.

Form and Structure

15) We agree that the auditor's opinion should be placed at the beginning of the report. It will help users better understand the report in its entirety. We believe the auditor commentary should really be a basis for the conclusion paragraph to better describe what quantitative factors were considered by the auditor in rendering his conclusion.

16) One world - one report.

Other suggestions

The auditor is required to design and perform audit procedures, to obtain evidence in order to draw a reasonable conclusion to base their opinion. It is the accumulation and evaluation of audit evidence that allows the auditor to determine whether sufficient appropriate audit evidence has been obtained in order to reduce audit risk to a low level. The evaluation of the sufficiency and appropriateness of audit evidence requires professional judgment. Through out the audit process, the auditor uses professional judgment to evaluate evidence to reach their conclusion. The results of this evaluation of evidence is expressed qualitatively in the work papers and not quantified.

In gymnastics, the judge uses a methodology to identify, classify and assign value to each element of a routine based upon a difficulty rating. The judge uses an accumulation of

assigned values – a score - to communicate his professional opinion. Could you imagine an Olympic gymnastics event where the judge doesn't issue a score and merely announces the winner? Why would an auditor announce his opinion without communicating the factors that were evaluated and considered in communicating his conclusion?

We believe the factors that the auditor uses in determining sufficient appropriate audit evidence should be quantified and communication in the basis for opinion section of the auditor's report. This will require a standard uniform audit methodology that will allow audit firms to objectively evaluate whether sufficient appropriate audit evidence has been obtained. A methodology should be developed, where a value would be assigned to the appropriateness and sufficiency of audit evidence. This index – Audit Evidence Index would be the accumulation of the values assigned at the assertion level for each audit procedure performed. The assignment of values would be determined based upon a predetermined table of assigned scores. This index can be viewed as a measure of detection risk.

The sufficiency and appropriateness of audit evidence is influenced by the risk of material misstatement and materiality. Therefore, the risk of material misstatement should be quantified and communicated in the auditor's report.

The communication of these two critical judgments used by the auditor in the determination of their conclusion would increase transparency, improved relevance and value of the auditor's report.