

12th November 2012



The Institute of Certified
Public Accountants in Ireland

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Chief Executive: Eamonn Siggins

**Mr. James Gunn,
IAASB Technical Director,
545 Fifth Avenue, 14th Floor,
New York, New York 10017,
USA**

Dear Mr. Gunn,

The Audit Practices Sub Committee of the Institute of Certified Public Accountants in Ireland is pleased to provide you with its comments on the Invitation to Comment - Improving the Auditor's Report.

We have set out below our response.

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?**

Yes, the committee is supportive of the project to enhance the value of the auditor's report and agree that the current proposals will go some way towards achieving this goal.

However the committee has raised concerns about some of the proposals and the placement of additional information in the audit report that may be best placed in an alternative position in the financial statements. These issues are further discussed during the course of our response.

The proposals as outlined will impose additional costs on the audited entity.

- 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 committee considers it appropriate that the role of the auditor to report to those charged with governance (TCWG) is also reviewed in the context of this project.

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?**

The committee agree that there is value in the concept of Auditor Commentary and agree that it may provide useful information to the users of financial statements.

However the provision of such information poses a significant challenge for the auditor and the risk of litigation increases.

- 4. Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgement of the auditor, with guidance in the standards to inform the auditor's judgement? 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?**

The committee does not believe that the content of the Auditor Commentary should be left entirely to the judgement of the auditor. Guidance should be developed that will assist the auditor in arriving at the key issues to be commented upon.

It is important to note that in providing such a commentary that the role and responsibilities of the auditor should not be broadened. There would be concern that the auditor may find themselves in a position whereby they are providing information in their audit report about the audited entity that is not reported elsewhere in the financial statements. The auditor should not be the originator of such information and should not be in a position whereby they potentially adopt the role of management in the provision of information.

- 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?**

The committee is of the opinion that the information provided in the Auditor Commentary would be of value to users, however the committee is concerned that the auditor is the source of such information relating to the audited entity. Whilst there is merit and value in providing such information the committee questions whether an alternative location within the financial statements would be a more appropriate location, such as the Directors' Report.

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, the timing of financial statements, and costs?

The committee is of the opinion that the inclusion of such commentary in the auditor's report will increase the time spent on the audit due to the additional drafting time and additional time in discussions with management. This will ultimately lead to an increase in the cost of the audit.

7. Do you agree that providing Auditor Commentary for certain audits (e.g. audits of public interest entities), 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?

Whilst the committee agrees that such commentary may be useful to the users of financial statements of PIEs, the committee does not believe that its inclusion should be at the discretion of the auditor for non-PIE entities. The committee questions the usefulness of such information for users of the financial statements of non-PIEs given the likelihood that many non-PIEs will be owner managed.

The issue of the definition of a PIE is one that needs to be addressed to ensure that there is understanding as to what is meant when using this term.

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?

Whilst the committee is of the opinion that a comprehensive statement on the going concern basis for the preparation of financial statements is essential it does not believe that the auditor's report is the most appropriate position for the information.

The committee is of the opinion that whilst an explicit statement on going concern by the auditor should be made, it believes that the auditor should express an opinion on the information already provided by TCWG in the financial statements.

9. What are your views on the value and impediments of including additional information in the auditor's report about the auditor's judgements and processes to support the auditor's statement that no material uncertainties have been identified?

The committee noted that there would be difficulties in disclosing such information and expressed concern that this may result in the auditor being the originator of entity-specific information.

10. What are your views on the value and impediments of the suggested auditor statement in relation to other information?

The committee is supportive of this statement and notes that this is a legal requirement in Ireland.

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?

The committee is supportive of such a proposal and agrees that the information would be helpful to users.

12. What are your views on the value and impediments of disclosing the name of the engagement partner?

The committee notes that this is currently a legal requirement in Ireland.

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 judgement as part of Auditor Commentary?

As the lead auditor bears full responsibility for the audit, the disclosure of details of an additional auditor may be confusing for the readers of financial statements.

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?

The committee is of the opinion that this information should not be relocated to such a website or an appendix to the audit report. The audit report should be presented in its entirety to the user.

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?

The committee is of the opinion that the audit opinion should be placed at the end of the report as is currently the position. The committee believes this to be the most logical position for the opinion and aids the flow of the audit report for the reader.

16. What are your views regarding the need for global consistency in auditors' reports when ISAs, or national standards that incorporate or are otherwise based on ISAs, are used?

The committee agrees that there is a need for global consistency in auditors' reports.

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?

The committee is supportive of this approach.

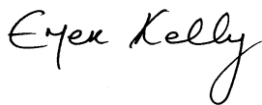
18. In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What consideration specific to audits of small and medium sized entities (SMEs) and public sector entities should the IAASB further take into account in approaching its standard-setting proposals?

The committee supports the approach of "an audit is an audit" regardless of the size of the entity.

However the committee has questioned the usefulness of the Auditor Commentary paragraphs for SME's that are owner managed.

If you have any queries on any aspect of our response please contact us.

Yours sincerely,



Emer Kelly
Secretary – CPA Audit Practices Sub Committee

