1.

We believe, overall, the improvements suggested by IAASB can improve the relevance and informational value of the auditor's report, contributing to narrowing the expectation and information gap with information users.

However, appropriate consideration should be given to not only the value generated by the suggested improvements but also to their potential limitations, e.g., increased time and costs required to prepare an auditor's report due to larger volume of the report, greater legal liability of the auditor or concerns over a wider expectation gap caused by the user's potential misunderstanding of new information.

2.

Since the suggestions contained in the ITC are confined to the audit of annual financial statements, it is not clear from the suggestions only how some additional requirements with respect to annual financial statements will impact the review of interim financial information that is conducted in accordance with ISRE 2410, e.g. the auditor's reporting obligation to update specific information contained in annual financial statements (e.g. going concern assumption and auditor commentary). We respectfully recommend IAASB to give consideration to the impact on interim report by ISA revision IAASB is seeking to improve the auditor's report.

3.

In our opinion, introduction of Auditor Commentary is an appropriate response to the user's needs for information. We believe that auditors can offer users enhanced value by highlighting the most important matters to facilitate the user's understanding of financial statements and bringing attention to management's disclosure on them. In addition, Auditor Commentary can enhance the convenience of users by bringing together the matters that used to be included in Emphasis of Matter paragraph and Other Matter paragraph.

But it is essential to ensure that users are not misled to believe that Auditor Commentary represents a section where auditors express specific opinion on every single disclosure or each account item. To this end, it is essential to clearly define the matters and content to be included in order to prevent Auditor Commentary from becoming a section where the auditor offers his/her subjective opinion on important matters of financial statements

In determining the matters to be included in Auditor Commentary, we believe that it is recommendable to apply the standards currently used to determine the matters to be included in Emphasis of Matter paragraph by relaxing them to some extent. And the auditor must provide facts only, instead of subjective opinion, and just make reference to relevant management's statements in the notes.

Furthermore, it should be reviewed whether the auditor offers information in Auditor Commentary that is actually supposed to be provided by the company. In other words, it should be made clear that the role of Auditor Commentary is to provide 'explanation (placing emphasis)' on each matter, instead of offering piecemeal opinion of the auditor on each item.

4.

In principle, the auditor needs to exercise judgment to decide the matters to be included in Auditor Commentary factoring into the unique situation of each company. To the end, ISA should provide high-level standards and principles, and then offer guidance and considerations to help the auditor determine the matters to be included in Auditor Commentary. Also, it is recommendable for ISA to provide illustrative examples of the matters that can be included in Auditor Commentary and allow the auditor to exercise judgment to decide whether to include a certain matter.

Description of too many matters is not consistent with the basic goal of emphasizing "the most important" matters. So it is useful to develop concrete standards and guidance on the number of matters to be included in Auditor Commentary.

We respectfully suggest that IAASB provides guidance to help the auditor decide what are "the most important" matters that need to be included in Auditor Commentary among those that meet the standards described above.

5.

Out of the illustrative examples of Auditor Commentary, 'Outstanding Litigation' or 'Involvement of Other Auditors' examples offer informational value or decisionmaking value that users seek. However, it's not clear whether 'Audit Strategy relating to the Recording of Revenue, Accounts Receivable, and Cash Receipts' example offers the information that users need or useful for the understanding of financial statements.

As mentioned in the answer to question 3, it is recommendable to apply the standards currently used to determine the matters to be included in Emphasis of Matter paragraph by relaxing them to some extent when determining the matters to be included in Auditor Commentary. And the auditor must provide facts only, instead of subjective opinion, and just make reference to relevant management's statements in the notes.

6.

Generally, the impact on the financial reporting process and others vary depending on the scope of matters to be included in Auditor Commentary and the level of subjectivity. When the scope of matters to be included in Auditor Commentary is broad and the level of subjectivity is high, it takes more time and energy to prepare, review and approve the auditor's report as well as discuss it with management and TCWG. And the longer it takes to go through this process, the higher costs will be.

Management and TCWG are expected to step up their efforts to strengthen their financial reporting process, e.g. enhancing supervision on the financial reporting process, as they are increasingly aware of the fact that certain matters can be included in the main body of the auditor's report.

7.

As suggested, we agree to make it mandatory to provide Auditor Commentary in the auditor's report of PIE, e.g. listed companies, and leaving its inclusion to the discretion of the auditor for the audit of non-PIE.

8.

In our view, the suggested auditor statements in the auditor's report, e.g. 'the company's use of going concern assumption is appropriate' or 'material uncertainties have not been identified', are highly likely to mislead information users and make them believe that the auditor guarantees the company is a going concern when management makes no statement on its going concern assumption or material uncertainties.

So we don’t agree to provide a separate section on going concern assumption. In our opinion, it is more appropriate for the auditor to exercise judgment to determine whether a certain matter should be included in Auditor Commentary, as they currently do.

9.

In our opinion, it is not appropriate to describe the details of the processes performed by the auditor or the results thereof in the auditor’s report, as it is difficult to provide a brief summary describing numerous processes performed by the auditor and their relationship with the auditor’s opinion on the overall financial statements.

Furthermore, IFRSs (or other numerous financial reporting frameworks) do not require the management to disclose details of any event or incident identified and assessed under IAS 1, in case the management (and the auditor) concludes that there is no material uncertainty. Therefore, if the auditor includes a certain incident or event and assessment results thereof as additional information, the auditor is likely to end up providing original information of the company, which is not an appropriate role expected from the auditor.

10.

We support the suggested auditor statement that the auditor hasn’t identified any material inconsistencies based on reading other information and the suggested clarification of the auditor's responsibility under ISA 720 and other specific information read along with financial statements. It is because such background information is essential to prevent the expectation gap between auditor and users from growing wider, in our opinion

However consideration should be given to the fact that difference between national disclosure systems or policies sometimes make it difficult to apply the requirements of ISA 720 to practices. For instance, if the auditor's report is issued ahead of the relevant annual report, it is impossible to read other information to detect any material inconsistency before the issuance of the auditor's report.

Therefore it is appropriate to allow auditors to decide on the inclusion of statement on Other Information in the auditor’s report at their discretion depending on the national disclosure policy and system, instead of uniformly requiring auditors to include such statement in the auditor's report

11.

Enhanced descriptions of the responsibilities of management, TCWG, and the auditor will be helpful to the user's understanding of the auditor’s role and the nature of audit engagement, in our view. Although the suggested description will increase the volume of the auditor's report, it will facilitate clearer communication of the responsibilities of management, TCWG and the auditor

When a new element, e.g. Auditor Commentary, is introduced to the auditor's report, it is essential to include a broad description of the auditor's responsibilities to avoid unintended expectation gap between auditor and users.

12.

We understand that disclosure of the engagement partner’s name may serve the public interest but protection for the partner from personal or other liabilities can't be provided at the global level. Therefore, whether and how the engagement partner should be disclosed can be determined more effectively at the national level

In particular, considering the reality where the engagement partner is facing physical and emotional threats regarding the audit opinion he/she expresses, the disclosure of the engagement partner’s name should be decided based on national regulatory and audit environments

13.

In our opinion, users' understanding of who takes responsibility for the opinion of group audit serves the public interest. ISA 600 prescribes that the group auditor assumes the entire responsibility for instruction, supervision and performance of group audit. But providing information on the level of other auditor's involvement may be helpful to enhance transparency for users

But in some countries, audit hours may not be an effective measure of the level of involvement in a certain audit. Therefore it makes more sense to replace "percentage of audit measured by audit hours' in the illustrative paragraph suggested by ITC with 'percentage of audit hours measured by audit hours, total assets or sales turnover' to allow the use of total assets and sales turnover to express the percentage of audit depending on the judgment of the auditor.

14.

We believe that enhanced description of the responsibilities of management, TCWG and the auditor will improve the auditor's report, making it more valuable. And we support relocating it to an appendix to the auditor's report

15.

We support placing the auditor's opinion and Auditor Commentary towards the beginning of the auditor's report

16.

We believe that it is a right approach to seek consistency as much as possible to give the auditor's report under ISA 700 the right 'look and feel' globally. In addition, we agree to develop minimum requirements on document format and standards on detailed content, e.g. heading of the auditor's report. This will enable us to achieve global consistency and comparability across different auditor's reports, which are deemed as the critical elements of auditor reporting by investors and other users.

17.

We believe that IAASB needs to determine the broad ordering of elements in the auditor's report to promote global comparability. The details of ordering can be shown as illustrative example in the International Standards on Auditing. But it is appropriate to allow nations to decide at their discretion the elements to be included and the ordering of them.

18.

These improvements need to be applied in the same manner to all entities regardless of their size and nature for the comparability and consistency of the auditor's report. But, by making it optional to apply them to the entities that don't have material impact on public interests, e.g. non-listed companies or SMEs, or entities with limited stakeholders, the burden on the auditor can be reduced, in our opinion.