

Improving the Auditor's report

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?

Response: Overall, we are not in support of the proposed improvements to the Auditor's Report. For the most part it appears that all important information has simply been relocated from the notes to the auditor's report. We would support this new auditor's report for IFRS clients only, but it is not appropriate for the vast majority of audit engagements under PSAB, NPO or ASPE standards.

Certain information provided in the illustrative example is relevant and pertinent to the auditor's report. However, other information included in the illustrative example does not provide value and could potentially be misleading. We think that certain information in the illustrative example is not appropriate for inclusion in the auditor's report. See details in the responses to various questions below.

Another significant concern is with the format. We are concerned that having the auditor's opinion at the beginning of the auditor's report, readers will not look at and consider the other relevant information following the opinion paragraph.

2. Are there other alternatives to improve the auditor's report, or reporting more broadly, that should be further considered by IAASB, either alone or in coordination with others? Please explain your answer?

Response: Certain aspects of auditor's report as illustrated are an improvement to the existing auditor's report. Refer to following comments.

Auditor Commentary

3. Do you believe the concept of Auditors 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?

Response: We believe that allowing a section for the Auditors Commentary may be appropriate when information is so persuasive that the financial statements could be misleading to financial statement users without reference to that information. This is particularly the case for IFRS clients.

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?

Response: Yes, the Auditor's Commentary should be left to the judgment of the auditor with some guidance. However, the guidance should be broad based to allow the auditor use of judgment in when and what to report. The guidance should not be so specific that the auditor's judgment is limited and results in excessive information that undermines the purpose of the Auditor's Report.

5. Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? In not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of the audit procedures and related results in Auditor Commentary?

Response: Certain information in the illustrative examples of the Auditor Commentary may be useful to the financial statement users. This information should also be found in the notes to the financial statements. There is little value in cluttering the Auditor's Report with audit procedures and related results (as illustrated in one commentary example) as I would not expect the average financial statement user to have a detailed understanding of the overall audit process. The overall audit process is a complex combination of planning, assessing, documenting, re-assessing and reporting using specialized education, professional development, and experience to draw and report conclusions. A brief commentary on the audit procedures and results in response to a specific issue does not give a justified explanation for the audit conclusions expressed in the auditor's report.

Appropriate:

- ***Respective Responsibilities of Management and the Auditor (as illustrated)***
- ***Auditor's Commentary for IFRS clients (broad based guidance to allow flexibility and judgment) Only in cases where the financial statements would be misleading without consideration of such circumstances.***
- ***Basis for opinion***
- ***Report on Legal and Regulatory requirements***
- ***Opinion***

Not Appropriate:

- ***Going Concern (as illustrated) – We do not believe it is appropriate to state an opinion on the going concern assumption and material uncertainty. As indicated in the illustration, not all future events or conditions can be predicted. Readers may place too much reliance on this paragraph. Even with the statement that it is not a guarantee, readers may take it as a guarantee because it is highlighted in the report.***

- ***Auditor's Commentary (as illustrated) – This information clutters the auditor's report. Auditor's Commentary should only be provided where information is so persuasive that the financial statements are misleading without taking the information into consideration.***

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?

Response: With detailed or specific guidance, the timing and costs to report in accordance with the guidance could potentially lead to excessive time and costs in order to comply with reporting requirement which may not provide any additional value to the client or financial statement users. Management or those charged with governance may forgo an audit for a less expensive alternative. The auditor commentary may clutter and complicate the auditor's report so the value of it is minimized as opposed to providing additional value.

7. Do you agree that providing Auditor Commentary for certain audits (audit 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?

Response: An auditor commentary may provide value for public interest entities where shareholders do not have access to financial information nor knowledge of operations. For these larger entities where reported values are so significant or pertinent information is lost or hidden throughout the financial statements, there could be some merit to the auditor commentary.

For private entities, NPOs and lower tier municipalities, the auditor should be allowed to use judgment within broad based guidance. For example, is there is a risk of material uncertainty in the area of inventory, the auditor may reference the client's note in the financial statement to highlight the significance in relation to the financial statements.

Going Concern

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?

Response: Including a statement that communicates the financial statements are prepared on a going concern basis within management's responsibilities is appropriate and useful. As an alternative, it would also be appropriate to eliminate this statement and add a paragraph

when the statements are not prepared on a going concern basis. Material uncertainties are better addressed in the notes to 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 judgments and processes to support the auditor's statement that no material uncertainties have been identified?

Response: We believe it provides no additional value and including such a statement, as illustrated, is contradictory and confusing.

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

Response: It may be valuable to reference significant notes to the financial statements to highlight certain information that could be so significant or material that the financial statements are misleading without taking this information into consideration. (ie make reference /draw attention to a material measurement uncertainty with high material risk, contingent liability with high material risk, or going concern).

Clarifications and Transparency

11. Do you believe the enhanced description of the responsibilities of management, those charged with governance, and the auditor in the illustrative auditor's report is helpful to users' understanding of 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?

Response: Yes, it communicates and clarifies responsibilities to provide Financial Statement users a better understanding of the preparation and audit of financial statements.

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

Response: Provides no value. It is not necessary. It could lead to user biases. In many cases, there are at least two partners involved with each audit file (first reviewer and second reviewer in our firm), so naming one partner is not appropriate and is misleading.

13. What your views on the value and impediments of the suggested disclosure regarding the involvement of other auditor's? Do you believe that such disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary?

Response: Possibly in some situations, but in most circumstances this information provides no additional value.

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?

Response: It is not appropriate. Communicating the Auditor's responsibility is a pertinent part of the auditor's report and should be integrated with the auditor's report.

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?

Response: We are not in favour of placing the opinion paragraph as the first paragraph of the report. Readers may not read the rest of the report and miss relevant information following the paragraph. The opinion paragraph should be the final paragraph. Refer to the response to question 5.

16. What are your views regarding the need for global consistency in auditor's report when ISAs, or national auditing standards that incorporate or are otherwise based on ISA's are used?

Response: The auditor's report should be relevant in relation to the audit and useful to the readers of the financial statements regardless of "global consistency". "Global consistency" could be a possibility, but should not override the practicality of the auditor's report for users of financial statements.

17. What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to what shown in the illustrative report, unless law or regulation require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices?

Response: In favour of a mandated order, however, we are not in favour of the order or content provided in the illustrative report. The opinion paragraph should be one of the final paragraphs after other pertinent and relevant information provided in the auditor's report.

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 and public sector entities should the IAASB further take not account in approaching its standard-setting proposals?

Response: A standard audit report could be appropriate for entities of all sizes, both in public and private sectors, however, not in the format or content that is provided in the illustrative example.