



International Auditing and Assurance Standards Board

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Rigsrevisionen's response to Invitation to Comment – Improving the Auditor's report

8 October 2012

I would like to thank the IAASB for taking initiative to improve upon the auditor's report and for the invitation to comment on the suggested improvements. I very much welcome the IAASB's overall ambition to make it possible for auditors to provide more information to the intended users of the auditor's report.

In response to the invitation I would like to provide Rigsrevisionen's comments to the 3 questions, which we find to be most important:

In response to question 1:

There is currently a significant gap between the information, which the ISAs require the auditor to obtain and evaluate and the information, which the auditor makes available to the public. With the suggested improvements it will be possible for auditors to make more of the information obtained available to the intended users. Rigsrevisionen finds that this would be a significant step forward and encourages the IAASB to consider how auditors, management and those charged with governance can best be moved to make good use of this in practice.

In response to question 8:

For Public Interest Entities as well as other entities it may be relevant to ensure that the audit commentary enhances users' understanding of the financial statements, the entity and the underlying subject matters, but perhaps less relevant to ensure more information on the audit. It will be important to allow auditors to provide further information at their own discretion. From our national context we have very positive experiences with the use of more elaborated reports that better allow auditors to explain their main findings and conclusions. A large number of publicly established independent entities are audited by state certified public accountants as well as Rigsrevisionen. In order to meet the needs of users the auditors of these entities currently provide a separate report in addition to the Auditor's Report provided for by ISA 700. Though these reports are normally addressed to a board charged with governance they are generally accessible for the media and the wider public and can in some cases be regarded as the main vehicle of reporting audit results.

In response to question 18:

Rigsrevisionen has through our international engagements including our position as chairman of INTOSAI's Professional Standards Committee obtained broad knowledge of public sector auditing in various countries. Based on this experience, we strongly recommend that IAASB provide for further flexibility in the outline of the auditor's report.

We believe it would be possible to expand the opportunities of adaption to different jurisdictions and types of entities without affecting the main purpose of the standardized outline, i.e. to ensure that the auditor's opinion on the financial statement and other key information is easily identifiable. Some examples where flexibility is especially needed are:

1) The order of sections: ISAs 200 and 700 recognize that auditors may have other reporting responsibilities in addition to what is provided for by the ISAs. The auditor's conclusions in relation to these responsibilities may be of high importance to users and may represent a significant and integrated component of the audit. In these cases the three subsections on audit commentary, other information and the respective responsibilities will be of equal relevance for the 'Report on other regulatory requirements' and the 'Report on the financial statements'. With the longer report it becomes essential that the auditor's conclusions in relation to any such further requirements as well as on the financial statements can be presented before any further explanation is provided in the three subsections mentioned above. In some cases the additional regulatory requirements will furthermore be so closely related to the conclusion on financial statement that a separate report could cause confusion. It will therefore also be important to maintain that such conclusions can be presented by adding the relevant sentence to the opinion on financial statements.

2) The description of the auditor's responsibilities: In public sector audits in a number of jurisdictions, the suggested more detailed description of the auditor's responsibilities will be the cause of confusion or be misleading if it is not supplemented with an equally accurate description of additional responsibilities prescribed by law, regulation and national standards. Furthermore such national requirements may imply that the description of responsibilities under the ISAs needs more adaption than it seems to be foreseen in the draft. National requirements may for example mean that it would be incorrect to include the sentence 'but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control'.

3) The heading of the section 'report on other legal and regulatory requirements': It will improve the report if the heading of this section is adapted to reflect the nature of the legal and regulatory requirements. This could be done

in the following way: *Report on [appropriate description of other legal and regulatory requirements]*. This would be in line with the solution proposed for 'those charged with governance' in one of the other headings.

In conclusion we therefore welcome and support the ambition to encourage auditor's to report more of the information they have obtained in the audit. We strongly recommend that the IAASB allows a high degree of flexibility in the outline of the auditor's report in order to allow for appropriate adaptations to the specific terms and conditions of the engagement including the conditions of public sector auditing in different jurisdictions.

Sincerely,


Lone Strøm