



**International Federation of Accountants**

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## Agenda Item

# H

**Committee:** IAASB Consultative Advisory Group

**Meeting Location:** Prague

**Meeting Date:** September 12–13, 2011

### **Auditor Reporting—Report Back and Further Discussion**

#### **Objectives of Agenda Item**

1. The objectives of this Agenda Item are:
  - (a) To explore and share viewpoints on the topic of auditor reporting; and
  - (b) To provide a report back on the Representatives' feedback and suggestions regarding the IAASB's Consultation Paper (CP) on auditor reporting as discussed at the March 2011 CAG Meeting.

#### **Papers to Be Referred to during Discussion**

2. The discussion of this topic will follow the structure of this CAG Paper. **Agenda Item H.1** contains the report back on the comments received at the March 2011 CAG meeting.
3. Hyperlinks are presented at the end of this CAG Paper to the IAASB May 2011 Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*, which is for reference purposes only.

#### **Project Status and Timeline**

4. The Appendix to this paper provides a history of previous discussions with the CAG on this topic, including links to the relevant CAG documentation.
5. Subsequent to the March 2011 CAG meeting, the IAASB discussed drafts of the proposed CP at its March and May 2011 meetings. The CP was issued for public comment on May 16, 2011, with a 120-day comment period ending September 16, 2011. CAG Member Organizations with an interest in auditor reporting are strongly encouraged to submit a formal comment letter by the end of the comment period. The report back in **Agenda Item H.1** explains whether and, if so, how the CAG's input was taken by the IAASB in finalizing the CP. These points will be further considered in the context of responses to the CP.
6. In light of the comment deadline, the IAASB Working Group does not expect to be in a position to update the CAG on the project at its September 2011 meeting. Further discussion with the IAASB is planned for its December 2011 meeting. However, given the interest to date, and evolving developments by other organizations, it is important that the CAG continue to provide strategic input to the IAASB on the topic of auditor reporting at its

# IAASB CAG PAPER

## IAASB CAG Agenda (September 2011)

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September 2011 meeting, with a full discussion of the comments received on consultation and the proposed way forward planned for the March 2012 CAG meeting.

#### Matters for CAG Consideration

7. The Chair intends to invite a number of Representatives from Member Organizations representing the views of preparers, investors / analysts, and regulators to share their views on the following questions:
  - (a) ISA 700 was developed recognizing the desire for consistent and comparable auditor reports.<sup>1</sup> From your perspective how important is a single global solution for auditor reporting, and why?
  - (b) Accepting the concept that “an audit is an audit” and assuming that there are benefits to consistency in auditor’s reports, are there nevertheless features of listed vs. non-listed entities that may suggest that different auditor reporting solutions may be appropriate?
  - (c) Requests for enhancements to auditor reporting appear to be linked, in part, to users placing greater emphasis on the entire financial reporting system beyond the audited financial statements. Additional reporting vehicles beyond financial statements (e.g., management discussion and analysis, announcements, forward looking information, etc.) are already available for management to elaborate on financial and operating matters. To what extent is it therefore reasonable and appropriate for auditors to provide insights on matters possibly already addressed in such vehicles, in light of:
    - (i) The changes to the current scope of an audit that would be needed;
    - (ii) Confidentiality issues; and
    - (iii) The impact on cost and timing?
  - (d) In introducing change to the audit report, would a staggered approach (i.e., changing some elements before others) be desirable, or is a “big bang” approach preferable? Why?
8. Following the sharing of views by the panelists, all Representatives will be given the opportunity to comment on the questions above.
9. The Representatives are also asked to draw attention to matters noted in the report back in **Agenda Item H.1.**

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<sup>1</sup> ISA 700, *Forming an Opinion and Reporting on Financial Statements*, notes that “Consistency in the auditor’s report, when the audit has been conducted in accordance with ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the user’s understanding and to identify unusual circumstances when they occur.”

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**Material Presented – IAASB CAG PAPER**

Agenda Item H.1 Auditor Reporting—Report Back

**Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY**

Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*, Issued May 2011 [www.ifac.org/Guidance/EXD-Details.php?EDID=0163](http://www.ifac.org/Guidance/EXD-Details.php?EDID=0163)

## IAASB CAG PAPER

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**Appendix**

### Project History

**Project: Auditor Reporting**

**Summary**

	CAG Meeting	IAASB Meeting
Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report	March 2010	December 2009
Issues Paper and IAASB Working Group Proposals	-	December 2010
Development of Proposed Consultation Paper	March 2011	March 2011 May 2011
Consultation – May 2011		

**CAG Discussions: Detailed References**

Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report	<p><u>March 2010</u></p> <p>See IAASB CAG meeting material:  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5253">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5253</a>                      See CAG meeting minutes (in Agenda Item D of the following material):  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5882">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5882</a>                      See report back on March 2010 CAG meeting in paragraph 12 of this CAG paper.</p>
Development of Proposed Consultation Paper	<p><u>March 2011</u></p> <p>See IAASB CAG meeting material:  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095</a>  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6096">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6096</a>                      See CAG meeting minutes (in Agenda Item M of the following):</p>

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	<p>See draft March 2011 CAG meeting minutes at Agenda Item A.</p> <p>See report back on March 2011 CAG meeting in paragraph 1 of Agenda Item H.1.</p>
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