



Meeting: IAASB Consultative Advisory Group
Meeting Location: New York, USA
Meeting Date: March 9–10, 2015

Agenda Item D

Auditor Reporting

Objectives of Agenda Items

1. To provide a report back on proposals of the Representatives and Observers as discussed at the September 2014 CAG Meeting.
2. To receive an update from Representatives and Observers on their activities to assist in implementation of the new and revised Auditor Reporting standards.
3. To obtain views on matters relevant to early adoption of the Auditor Reporting standards.
4. To obtain views on the proposed way forward with respect to ISA 810, *Engagements to Report on Summary Financial Statements*.

Papers to be Referred to During Discussion

5. Auditor reporting has been a priority project of the IAASB and has taken up a significant portion of the IAASB CAG and IAASB's agendas for over three years. **Agenda Item D.1** includes a report back from the September 2014 CAG meeting, and an indication of how the project Drafting Teams or IAASB has responded to the Representatives' and Observers' comments.
6. The discussion of this topic will follow the various issues below, as well as in **Agenda Items D.2 and D.3, which**

Project Status and Timeline

7. The Appendix in **Agenda Item D.1** provides a history of previous discussions with the CAG on this topic, including links to the relevant CAG documentation. In September 2014, the IAASB approved its new and revised Auditor Reporting standards. These standards and related conforming amendments comprise:
 - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
 - New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
 - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*
 - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
 - ISA 570 (Revised), *Going Concern*
 - ISA 260 (Revised), *Communication with Those Charged with Governance*

- Conforming amendments to ISAs 210,¹ 220,² 230,³ 510,⁴ 540,⁵ 580,⁶ 600,⁷ and 710.⁸

These standards were released in January 2015 after approval of due process by the Public Interest Oversight Board (PIOB).

I. Implementation Support

Activities of the Auditor Reporting Implementation WG

8. The IAASB is committed to the effective implementation of the Auditor Reporting standards. To this end, it has established an Auditor Reporting Implementation Working Group (WG) to promote awareness and understanding and support effective implementation of the new and revised Auditor Reporting standards.
 9. The Auditor Reporting Implementation WG has developed the following in addition to the Staff-prepared [Basis for Conclusions](#) and [At a Glance](#) publications.
 - (a) [Auditor Reporting Fact Sheet](#) that summarizes the new auditor's report.
 - (b) Publications that are intended to assist investors and others in developing a greater understanding of the more significant enhancements, namely [Auditor Reporting – Key Audit Matters](#) and [Auditor Reporting on Going Concern](#).
 - (c) Deck of slides that is intended to assist Board members and Technical Advisors, CAG Member Organizations, national standard setters (NSS) and others in delivering presentations aimed at promoting and raising awareness of the new auditor's report in their respective jurisdictions. These slides are intended to complement the At a Glance publication.
- The standards and the above listed materials, collectively referred to as the “Auditor's Reporting Toolkit”, are available on the IAASB's [The New Auditor's Report](#) webpage.
10. The Auditor Reporting Implementation WG also intends to develop:
 - (a) Illustrative KAM examples.
 - (b) Listings and extracts of illustrative auditor's reports.
 - (c) Other resources explaining various aspects of, or key topics in, the new and revised Auditor Reporting standards, including a webcast and podcasts.

¹ ISA 210, *Agreeing the Terms of Audit Engagements*

² ISA 220, *Quality Control for an Audit of Financial Statements*

³ ISA 230, *Audit Documentation*

⁴ ISA 510, *Initial Audit Engagements—Opening Balances*

⁵ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

⁶ ISA 580, *Written Representations*

⁷ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸ ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

Outreach and Other Communications by the IAASB, CAG Member Organizations and Others

Planned and Targeted Outreach

11. The IAASB is of the view that international and national regulators, oversight bodies, organizations that represent investors, preparers and audit committees, and NSS, accounting firms, IFAC Member Bodies and other IFAC Committees all have a shared responsibility to promote awareness and support effective implementation of the standards in light of their public interest importance.
12. Auditor reporting will therefore be a continued area of interest during outreach activities in 2015 and 2016, as the IAASB seek to encourage its stakeholders to adopt and implement the final Auditor Reporting standards. This will build upon the existing strong outreach program with, among others, regulators and audit oversight bodies, auditors (including the Forum of Firms, the Global Public Policy Committee, small and medium practices (SMPs) and public sector auditors), and NSS. In addition, IAASB members and Technical Advisors will be asked to meet with constituents across all stakeholder groups in their national jurisdictions during 2015 to build awareness about the auditor reporting enhancements.
13. Initial outreach activities have been focused on building awareness of the IAASB's intentions in developing the standards, Outreach will also provide the IAASB with an initial understanding of implementation experiences, including any practical challenges, and how such challenges are being addressed. This outreach will also serve as a useful basis to inform the planned post-implementation review by strengthening and establishing new contacts to provide input on whether the IAASB's standards are achieving their objectives. For example, three global targeted outreach sessions are currently being planned in 2015 to discuss auditor reporting and audit quality with Audit Committee Chairs and members.
14. IAASB leadership and Staff continue to be of the view that, rather than the IAASB seeking to host formal events, resources would be best allocated to participation by or on behalf of the IAASB at national and regional events in 2015 and 2016. In particular, the IAASB is looking for further opportunities to engage with investors, Audit Committees and preparers, and would welcome opportunities to participate in events organized by CAG Member Organizations.
15. The IAASB believes that the materials included in the Auditor Reporting Toolkit could usefully be leveraged by CAG Member Organizations in promoting awareness about auditor reporting amongst their constituents. Representatives are asked to consider what steps they could take in the immediate term to disseminate these materials to their stakeholders, for example by providing links to the IAASB's auditor reporting webpage or issuing other communications.
16. Follow up sessions with the CAG will be planned periodically for Representatives and Observers to report back on dialogue within their respective CAG Member Organizations in relation to auditor reporting, however, Staff encourages the CAG to maintain an open dialogue as their efforts progress.

Matters for CAG Consideration

1. Representatives and Observers are asked to share views on the following:
 - (a) Activities and other efforts already taken or planned by their Member Organizations to promote the awareness and support the effective implementation of the IAASB's new and

revised Auditor Reporting standards, in particular in relation to hosting events or providing other support.

- (b) What more the IAASB should be doing to promote the awareness and support the effective implementation of its Auditor Reporting standards.

Material Presented – IAASB CAG PAPERS

Agenda Item D.1	Report Back – Auditor Reporting
Agenda Item D.2	Auditor Reporting – Effective Date
Agenda Item D.3	Staff Review and Recommendations – ISA 810, <i>Engagements to Report on Summary Financial Statements</i>

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

<i>Auditor Reporting – Key Audit Matters</i>	Provided in PDF format by email
<i>Auditor Reporting on Going Concern</i>	Provided in PDF format by email
Auditor Reporting Fact Sheet titled, <i>The New Auditor's Report: Greater Transparency into the Financial Statement Audit</i>	Provided in PDF format by email
<i>At a Glance publication</i>	https://www.ifac.org/publications-resources/glance-new-and-revised-auditor-reporting-standards-and-related-conforming-ame