The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications—Summary of Comments on the Discussion Paper and IAASB Working Group Proposals dated December 2011

Objective of this Paper

1. To consider:

    (a) Broad issues raised by respondents on the Discussion Paper (DP); and

    (b) Whether it is appropriate to share what we have learned from the comments received.

Background

2. The nature of financial reporting has evolved to meet the changing needs of users. Business and capital markets have become more challenging, with greater complexity in business models, sources of risk and uncertainty, as well as greater sophistication in how risk is managed. This evolution reflects a desire for information that is relevant to users, even if such information may be more subjective and less reliable.

3. Financial reporting disclosure requirements and practices have also had to respond to these changes by shifting from simply providing breakdowns of line items on the face of the financial statements to providing more detailed disclosures, including disclosures of assumptions, models, alternative measurement bases and sources of estimation uncertainty, amongst others.

4. In light of these trends in the role and importance of financial statement disclosures, questions have arisen about how auditors should apply auditing concepts in obtaining sufficient appropriate audit evidence on financial statement disclosures to support their opinion on the financial statements as a whole.

5. As a result of the varying perceptions and perceived challenges around auditing disclosures, the International Auditing and Assurance Standards Board (IAASB) commenced the initiative to further explore the views and perspectives in this area.

6. The issue of the impact of evolving disclosures on auditors' responsibilities and practices was discussed by the IAASB in December 2009, by the IAASB Consultative Advisory Group (CAG) in March and September 2009 and at the June 2010 IAASB-National Standard Setters meeting. In March 2010, the IAASB agreed the establishment of a working group to explore and catalogue the issues and challenges around the disclosures, including the audit implications.

7. In January 2011 the IAASB Working Group issued a DISCUSSION PAPER *The Evolving Nature of Financial Reporting : Disclosures and its Audit Implications* which:

    a) Discussed recent trends in financial reporting and their impact on financial reporting;

    b) Discussed how the International Standards on Auditing (ISAs) currently deal with disclosures; and

c) Focused on audit issues in relation to evidence, materiality, misstatements and auditability that the IAASB had identified regarding disclosures.

8. The Discussion Paper included questions tailored for different stakeholder groups, including preparers, investors, lenders and other creditors, regulators, and auditors. However, respondents, including those not part of any of the key stakeholder groups, were invited to respond to questions from any stakeholders' list of questions if they wished to provide their perspective.

9. Given the broad ranging implications of the issues raised in the Discussion Paper, the Working Group were pleased with the broad range of respondents. Responses were received from fifty one stakeholders from the following stakeholder groups.[1]

Respondents (By Main Groupings)	Number
Users and Preparers	7
Regulators and Oversight Bodies	10
National Auditing Standard Setters	5
Audit Firms	5
Professional Institutes–Americas	4
Professional Institutes–Europe and Africa	15
Professional Institutes–Asia / Oceania	3
Individuals and others	2
Total Responses	**51**

Overview of Responses

10. The respondents broadly[2] supported the IAASB's initiative in issuing the Discussion Paper, and believed it presented the key audit (and other) issues relevant to financial reporting disclosures.

11. Many of the issues raised or recognized were an amalgam of both accounting and auditing issues. The majority of respondents, including regulators, firms, preparers, users and other professional organizations, recognized that the challenge for improving financial reporting disclosures is not only the responsibility of the IAASB, but will of necessity involve collaboration and cooperation between many stakeholders. Some respondents noted that disclosures are primarily a matter for the accounting standard setters and for preparers, and

1 A list of respondents to the Discussion Paper is provided in the Appendix of this Issues Paper. All comments letters can be accessed from the IAASB website www.ifac.org/publications-resources/evolving-nature-financial-reporting-disclosure-and-its-audit-implications

2 ACCA, AAP,AICPA, ASSIREVI, CNDCEC, FEE, FSR, ICAS, IDW, MIA, OCAQ, AUASB, NZICA, HEOS, GH, CPAB, EBA, FAOA, IOSCO, DTT, EYG, KPMG, SEHKL.

that the IAASB should further explore available avenues to assist and influence the actions of these parties.

12. Respondents generally confirmed the suitability of the ISAs for auditing disclosures, but noted a few areas where further reflection by the IAASB is needed to address challenges that have arisen in practice. The areas commonly highlighted included aspects of risk assessment, materiality, evaluation of misstatements and obtaining audit evidence to support certain disclosures. However, a few cautioned that it is critical that the IAASB collaborates with accounting standard setters, regulators, preparers and others before making further changes to the ISAs.

13. Some of the issues raised were not only limited to disclosures, but had a broader impact on the audit, including in some areas where IAASB projects are already in progress, such as Audit Quality, Auditor Reporting, ISA Implementation monitoring and the revision of ISA 720[3].

14. Accounting standard setters and other interested parties working in this area, including the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), have recognized that as disclosures evolve, and in some areas become more complex, that this has affected the volume and also the usefulness of some of the information contained in financial statements. Some projects and initiatives are already underway to examine this area:

    - The IASB commissioned the Institute of Chartered Accountants of Scotland (ICAS) and the New Zealand Institute of Chartered Accountants (NZICA) to explore this area, and a report of their joint findings was presented to the IASB in July 2011 which contains recommendations on reducing disclosures[4] and how that can be achieved. The IASB has indicated that they will address the issues raised in the report at a future meeting, and have also requested input on the priority to develop a disclosures framework in its current Strategy Consultation.
    - The FASB is currently working on a "Disclosures Framework Project" aimed at an overarching framework intended to make financial statement disclosures more effective, coordinated and less redundant.
    - The European Financial Reporting Advisory Group (EFRAG) have undertaken a project on a "Disclosure Framework for the Notes to the financial Statements".

15. Also within the responses to the Discussion Paper are many comments relating to accounting issues arising from disclosures that may be useful to the IASB for its future initiatives in this area. Many recommended that the IAASB will need to engage with other standard setters, such as the IASB, to communicate this information.

[3] ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

[4] "Losing the Excess Baggage" available at www.icas.org.uk/site/cms/contentviewarticle.asp?article=7612

Summary of Issues and Comments

16. Paragraphs 18 to 48 sets out a summary of the comments received for each Section in of DP.

A. Section II—Financial Reporting Disclosure Trends

17. Section II dealt with recent trends in financial reporting disclosures, and the practical experiences of preparers and auditors. Questions in Section II were posed to all stakeholders.

18. There are challenges for all parties in the financial reporting chain as the length of financial statements has increased and become more complex and difficult to prepare. Several[5] respondents have noted that the most significant challenges in the preparation of disclosures include when the information is not generated by the accounting system (for example forward looking information or measuring fair value), ongoing changes in accounting requirements and including sufficient information without overloading the financial statements with non-beneficial information.

19. The increasing length of the financial statements as disclosures continue to evolve has become a focus point for many stakeholders and some[6] respondents believe that the inclusion of unnecessary or immaterial disclosures can obscure the presentation of material information and undermine understandability. Many believe, and it has been suggested in the Discussion Paper, that one of the reason for the increasing length is the inclusion of disclosures which are immaterial.

20. Within the responses diverse views have been expressed as to what would be considered material in relation to disclosures, which is indicative of an area where further reflection may be required by various stakeholders. Some[7] have the view that if there is a requirement for a specific disclosure by a financial reporting standard there is pressure to assume it to be material in the context of the financial statements as a whole even although it may not be material in the specific circumstances. Others[8] believe that materiality for disclosures is based on the quantitative size of the items included in the primary financial statements (if linked) or a judgment made if they are not linked, while others[9] believe that materiality is based on a case by case basis for individual disclosures and is not linked necessarily to the materiality of the relevant line item, if any.

21. Some[10] respondents noted that there is greater focus on omissions in disclosures than in determining whether disclosures made by management may be immaterial, although a few did acknowledge that discussions around immaterial items did take place.

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[5] ACCA, EFAA, FICPA, HoTORAC, HQ, ICAEW, OCAQ

[6] EBA, ESMA, IOSCO, ACCA, IRBA,

[7] ACCA, EFAA, CNDCEC, DTT, FEE, ICAEW, IRBA, NYSSCPA,

[8] EYG, SAICA, IRBA,

[9] PWC, NZICA, NBA, MIA, IMCP, HKICPA, GT, FEE

[10] ASSIREVI, FAR, IDW, DTT, FAR, EFAA, HKICA, JICPA

22. Several respondents had the view that the inclusion of immaterial disclosures may partly be due to the financial reporting framework not providing sufficient guidance with regard to the definition of materiality, as well as in behavioral attitudes of some parties within the financial reporting chain as explained in the Discussion Paper. Many respondents have recommended the development of a disclosures framework to assist with a common understanding of these fundamental concepts as they apply to disclosures.

23. Others[11] believe immaterial disclosures are included to gain efficiencies in preparation or to avoid being questioned by regulators who have been seen to apply pressure to focus on compliance with all the financial reporting standards' requirements. It has also been noted[12] that immaterial disclosures are sometimes included to maintain consistency. Respondents have generally[13] agreed that consistency over time within the same company is more important than consistency with other entities within the industry.

24. There was support for the reliability of the note disclosures to be the same as the primary financial statements, although a few[14] respondents did acknowledge that in practice this may not be the case. Others[15] cautioned that no general assertions can be made about reliability of the face items versus those in the notes, as it was rather the nature of the items being audited which is the basis for reliability.

25. Mixed views were expressed on the auditor's effort for an item that is disclosed only and is not recognized in the primary financial statements, for example a financial statement line item that is measured at amortized cost, but there is a requirement for its related fair value to be disclosed. Some[16] respondents have the view that such a disclosure is less important and that less effort would be spent on this. Others[17] had the view that the same amount of effort should be applied to the fair value measurement notwithstanding it was a disclosure only.

B. Section III—How do the ISAs Currently Deal with Disclosures

26. This section dealt with the key requirements and guidance within the existing ISAs that is available for auditors when auditing disclosures. Questions in Section III were posed to regulators and auditors.

27. Broadly, respondents[18] believe the existing ISAs have sufficient requirements for auditing disclosures. They believe that, taken as a whole, the ISAs enable auditors to form professional judgments when auditing disclosures. A few respondents noted that it is largely the behavioral aspects of auditing disclosures which needs to be addressed. It was

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[11] FICPA, ICAEW, HQ, OCAQ, QCA, ESMA, HKICPA, IAIS, IOSCO, FEE, GT, ICAEW, ICAP, PWC, FSR

[12] OCAQ, AIA, IRBA, AICPA, EYG

[13] ACCA, HEOS, IACVA, ICGN, IDW, OCAQ

[14] ICGN, IACVA, ACCA

[15] IDW, ACCA

[16] ACCA, ICGN

[17] HEOS, IACVA, OCAQ

[18] ACCA, AIA, IAIS, NZICA, AAP, SAICA, IDW

suggested that one way of addressing this would be to develop non-authoritative guidance for auditors.

28. Other respondents[19] indicated that the ISAs could be further enhanced to address certain practical issues that auditors encounter in respect of disclosures. These respondents[20] either believed that the existing ISAs do not have sufficient guidance in certain areas, or stated that more time is needed to gauge the application of the ISAs after implementation of the new clarity standards[21]. In particular, some of these respondents recognized that the audit process could be enhanced by developing further application material or specialized guidance for disclosures (either within the existing ISAs or as non-authoritative guidance) or by separating the requirements pertaining to the audit of disclosures within the ISAs (possibly even as an individual standard).

29. It was generally confirmed that there is a common understanding in identifying and assessing the risk of material misstatements relating to disclosures, but within the responses there was a little confusion as to the interaction of materiality with risk assessment. Despite the respondent's common understanding of identifying and assessing risk in disclosures, some respondents[22] were of the opinion that, due to the challenges identified in the Discussion Paper regarding timeliness of preparation of disclosures, audit work on this area is often left to the end of the engagement, and that the identification and assessment of risks in relation to disclosures may not be as formal[23] or structured as the work performed on the financial statement line items. A few[24] respondents noted that this was an area where additional guidance on the identification of risks (in particular for qualitative note disclosures) may be useful, to emphasize the importance of timely identification and assessment of risk, and the need for the audit work on disclosures to be an integral part of the overall audit.

30. There were mixed responses on the subject of practical challenges that were encountered when applying ISA requirements to disclosures. There were some respondents[25] who did not believe there are any additional challenges, but others[26] have identified specific areas of concern. The common areas identified are:

    (a) Materiality—particularly in relation to the qualitative aspects of disclosures and certain aspects of assessing group materiality;

    (b) Identification and evaluation of misstatements in disclosures (both quantitative and qualitative misstatements);

19 AOB, EBA, ESMA, HKICPA, IAIS, IOSCO, IRBA, NZICA, AUASB

20 AUASB, EBA, ESMA, HKICPA

21 AOB

22 AICPA, IAIS, FI, IOSCO

23 DTT, HKICPA, IRBA, IAIS, IOSCO

24 FEE, AICPA, CNDCEC

25 ACCA, ASSIREVI, DTT, PWC, SAICA, IDW

26 AICPA, FAR, FEE, FICPA, GT, HKICPA, ICAEW, IRBA, JICPA, MIA, NYSSCPA, NZICA, OCAQ, EYG, NBA

(c) Application of professional judgment when auditing disclosures—different judgments may lead to inconsistencies;

(d) Auditing accounting estimates and fair value disclosures—documentation and evidence;

(e) Forward looking and objective based disclosures—documentation and evidence;

(f) Auditing disclosures where the information has not been derived from the entity's financial accounting system; and

(g) The reporting requirements of ISA 705 [27] which requires the auditor to include omitted disclosures in the auditor's report where they are considered material to the overall understanding of the financial statements.

C. Section IV—Audit Issues Regarding Disclosures Required by a Financial Reporting Framework

31. This section dealt with the audit implications of disclosures required by the financial reporting standards. In particular, this section explored some of the challenges in providing evidence to support some types of disclosures, and also discussed the assessment of materiality and misstatements. Questions in Section IV were posed to all stakeholders.

32. Respondents agreed that the responsibility for providing supporting evidence for disclosures lies with management of the entity. However, it is not clear whether accounting standard-setters see this as part of their role, or whether it is more related to the fulfillment of legal obligations under each jurisdictions' corporate law[28].

33. Areas within financial statements that have been highlighted[29] as posing difficulty either for supporting disclosures (preparers) or for gathering audit evidence supporting them (auditors) include:

(a) Fair values;

(b) Estimates (particularly noted were disclosures reflecting management's judgments and impairment testing);

(c) Litigation and claims;

(d) Business combinations (pro-forma information);

(e) Going concern;

(f) Disclosures based on future management actions, intentions or judgments;

(g) Equity accounted investments;

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27 ISA 705, *Modifications to the Opinion of the Independent Auditor's Report,* para 19(c)

28 For example, corporate law often requires management or those charged with governance to maintain proper accounting and business records, and may also specify how such records are to be maintained, for example, to enable them to be audited..

29 AICPA, HoTORAC, OCAQ, ASSIREVI, AUASB, CNDCEC, DTT, FAR, FEE, GT, ICAEW, IRBA, MIA, NYSSCPA, NZICA, SAICA, FICPA

(h) Remuneration disclosures, particularly narratives;

(i) Financial instruments; and

(j) Related party transactions, balances, and associated terms and conditions.

A key issue was raised about the expectations of what constitutes sufficient appropriate audit evidence, particularly regarding a potential expectation gap between auditors and users.

34. Some respondents[30] noted that since financial reporting disclosures are an integral part of the financial statements, auditors are expected to demonstrate a level of work commensurate with the assessed level of risk and materiality of an item, regardless of whether the information about the item is presented on the face or within the notes. Other respondents[31] noted, however, that not all disclosures have the same degree of reliability, and that it is important to distinguish that some disclosures, by nature, are subject to a greater level of measurement uncertainty.

35. The key concerns identified by respondents for gathering audit evidence for disclosures include:

(a) Planning and risk evaluation[32]—it has been questioned whether planning and risk assessments are carried out at the same level for disclosures as for line items in the financial statements, and what further can be done to enhance this process.

(b) Professional skepticism[33]—what expectations exist about how auditors interact with management and how to demonstrate the application of professional skepticism in relation to more ‘objective’ disclosures. It is noted that this also is affected by management’s ability to document their own judgments.

(c) Potential expectation gap between auditors and users[34]—expectations of what constitutes sufficient appropriate audit evidence may vary between different stakeholders for information that is disclosed in the notes to the financial statements.

(d) The quality of the audit evidence produced[35]—information generated from non-financial systems and processes that are not subject to the same internal controls and oversight as the core financial system may affect the reliability of the information. The timing of the preparation of these disclosures may also affect the quality as they are often prepared late in the audit process.

36. Mixed views have been expressed on the move away from reliability and towards faithful representation in the IASB’s Conceptual Framework. The majority[36] of respondents

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30 AIA, EBA, ESMA, HKICPA, HoTORAC, IAIS, AICPA, DTT, FAR, FEE, FICPA, GT, ICAEW, ICAP, IDW, JICPA, NBA, OCAQ, EYG, IACVA, ICGN, HEOS, AIU

31 ACCA, IDW

32 AIA, EBA, AOB, AICPA, ASSIREVI

33 EBA, ESMA, IAIS, IRBA, FEE, GT, ICAEW, IRBA, PWC, SAICA

34 EBA, IAIS, FEE, HKICPA, ICAEW, IDW, IRBA, JICPA, NZICA, PWC, SAICA, CNDCEC, FAR

35 EBA, ESMA, AICPA, ASSIREVI, AUAB, DTT, FAR, FICPA, JICPA, NZICA

36 AOB, ACCA, HEOS, OCAQ, EBA, ESMA, HoTORAC, IAIS, IOSCO, IRBA

answering this question believed this change better reflects the increased level of judgment that is now required in preparing financial statements, and would not impact their expectations of preparers and users. Others[37] believe this change is not merely one of semantics, and that it may impact the confidence of users in financial statements, and ultimately may cause a shift in practice to achieve a 'true and fair' view.

37. Most principle-based accounting frameworks (including IFRS) anticipate that there may be a need for additional disclosures to achieve the outcome of a fair presentation. The majority[38] of respondents were of the view that if a disclosure is relevant to the fair presentation of the financial statements, it should be included regardless of whether or not there are requirements for the specific disclosure in the relevant financial reporting framework.

38. Whilst the financial reporting standards do contain some specific disclosure requirements, they do not specifically distinguish those that do not need be made if they are not material. Some[39] respondents believed materiality applied to disclosures is primarily an accounting issue and therefore outside the remit of the ISAs. These respondents note the importance of liaison with accounting standard setters, and emphasized that they would not support additional ISA requirements that would in effect usurp the role of the financial reporting standards. However, other respondents commented that, while the inclusion and exclusion of disclosures in financial statements based on materiality is an accounting issue, the application of materiality to the audit of, and the assessment of errors arising from, disclosures is an important audit issue.

39. ISA 320[40] includes disclosures in the definition of performance materiality and specifically requires materiality levels to be applied to disclosures when planning the audit.[41] The application material of ISA 320 notes that materiality is often based on quantitative elements of the financial statements and, consequently, there is less guidance for disclosures, particularly those of a qualitative nature that do not directly relate to amounts in the primary financial statements.

40. Some respondents[42] believed the ISAs provide sufficient guidance for auditors to be able to apply materiality to disclosures, and that the determination of materiality when testing disclosures is a matter of professional judgment for the auditor. However, other respondents[43] believed more guidance in the ISAs is needed to assist auditors in applying materiality to disclosures, especially those which are qualitative only.

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37 IACVA, ICGN, AIA, AIU

38 EBA, ESMA, HKICPA, HoTORAC, IAIS, IOSCO, IRBA, ASSIREVI, DTT, EFAA, FICPA, GT, ICAEW,IDW, MIA, NBA, NZICA, OCAQ, PWC, EYG

39 EFAA, IDW

40 ISA 320, *Materiality in Planning and Performing an Audit*

41 ISA 320, paragraph 11

42 ACCA, DTT, FICPA, IDW

43 AICPA, ASSIREVI, FAR, GT, HKICPA, IRBA, JICPA, MIA, NBA, NZICA, PWC, EYG

41. In ISA 450[44], disclosures are included in the definition of a misstatement, which requires that they also be considered when evaluating the effects of uncorrected misstatements. However, the application material[45] refers mainly to errors or misstatements in amounts, with no references to qualitative factors. Several[46] respondents noted that consideration should also be given to the application of ISA 450 in relation to disclosures, especially for the identification of qualitative misstatements, and to the aggregation of errors identified in disclosures, both quantitative and qualitative.

D. Section V—Questions about Auditability

42. This section dealt with the auditability of disclosures, the implications of the IASB's concept of "verifiability" for the auditability of disclosures, and the regulator's impact on auditor's actions. Questions in this section were posed to regulators, including audit oversight bodies, and auditors.

43. While acknowledging that some disclosures may be difficult to audit, and that the degree of precision with which different types of disclosures can be audited may vary considerably, respondents[47] were mainly of the view that there are no material disclosures that currently are not auditable. A few[48] of these respondents noted this view is in the context of the financial statements as a whole, and one[49] noted the premise that the preparer would provide evidence to support the disclosure made in the financial statements. These comments do not mean that sufficient appropriate audit evidence is always available, which is an auditor report issue. Respondents[50] were generally of the view that 'unaudited' items should not be included within audited financial statements.

44. Views varied on what would make a disclosure unauditable. Some[51] believed that if there is insufficient audit evidence available it is not 'auditable', while others[52] believed it would be a lack of suitable criteria that can be used to measure a disclosure. In respect of the former, it was not clear whether this was intended to point to a scope limitation (i.e., on being able to obtain audit evidence that the auditor could reasonably expected to be able to obtain) or an inherent limitation (i.e., where audit evidence is inherently not available or obtainable). Some[53] respondents noted the need for the IAASB to work with the IASB when the IASB is developing new disclosure requirements, for a proactive consideration of auditability issues.

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44 ISA 450 *Evaluation of Misstatements Identified During the Audit*

45 ISA 450 Para's A2 and A11-A18

46 FEE, GT, ICAEW, NZICA, PWC

47 AIA, AOB, EBA, ESMA, HKICPA, HoTORAC, IAIS, IOSCO, IRBA

48 EBA, ESMA, IAIS

49 HKICPA

50 HEOS, ICGN, IDW

51 ACCA, AICPA, AuASB, EFAA, NYSSCPA

52 ASSIREVI, DTT, FAR, FEE, FICPA, IDW, JICPA, NBA, PWC, EYG

53 HKICPA, FEE, ICAEW, IRBA, JICPA, PWC

45. Respondents noted that giving a separate audit opinion on a specific disclosure is seen as being different to auditing disclosures in the context of a set of financial statements. Risk assessment and materiality, when determining how much audit work needs to be performed on disclosures to reduce the risk of material misstatement, needs to be considered.

46. The majority of respondents who answered the question agreed that a "fair presentation" evaluation should be made when finalizing the financial statements, and that it was both the responsibility of the preparer and the auditor for this "stand back" review.. However, there were varied views on what criteria should be used. Suggested criteria included:

    - Professional judgment;
    - The circumstances facing the entity and the related knowledge gained from the audit,
    - Relevance and representational faithfulness, in accordance with the intention of the financial reporting framework and financial reporting standards,
    - Appropriateness of the disclosures; and
    - The entity's own context and industry norms.

47. Many[54] respondents agreed that the manner in which audit regulators enforce financial reporting requirements has influenced the actions of both preparers and auditors, particularly relating to financial statement disclosures. A few[55] respondents acknowledged that enforcement often arises due to an absence of a material disclosure, or due to insufficient audit documentation to support the audit of a disclosure. Others[56] believed that communications from financial reporting regulators setting out areas of potential concern and topical interest can be helpful to preparers and also to auditors by offering additional guidance in some areas that are difficult to audit. It was recognized that independent regulatory oversight is critically important to the continuous improvement of disclosures, and that transparency of regulators actions surrounding disclosures would improve the outcomes.

Suggestions for the IAASB's Way Forward

48. Respondents expressed a variety of views about how the IAASB should move forward in the context of the project on the audit of financial reporting disclosures.

    - There is support[57] for the issuance of a new standard incorporating all disclosure requirements and guidance contained in the existing ISAs, or the issuance of further application guidance for certain areas where challenges have been identified. The respondents also noted the possible need for amendments to existing ISAs, to strengthen the requirements on procedures and practical guidance relating to auditing disclosures.

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[54] ACCA, HKICPA, HoTORAC, AICPA, DTT, FAR, FEE, FICPA, GT, HKICPA, IDW, IRBA, JICPA, MIA, NBA, NZICA, PWC, SAICA, EYG

[55] AOB, ACCA, EFAA, ICAEW

[56] ESMA, IOSCO, IRBA, ASSIREVI, OCAQ

[57] AICPA, FAR, FEE, EBA, IAIS, IOSCO, EYG, KPMG, AAP, ESMA, AUASB, HEOS, PWC

- However, two respondents[58] cautioned that issuing new ISAs, or additional requirements to the existing ISAs may not be the best or most effective response. One respondent[59] noted since implementation of the clarity ISAs is now underway changes in relation to auditing disclosures should be made at the same time as the need for any further revisions or additional guidance is addressed as part of the ISA Implementation Monitoring Project.
- Others[60] believe failing that, in view of the complexity of the issues and the need for wide stakeholder engagement, further outreach should first be undertaken to clarify the direction of the project, and obtain additional perspectives.

Working Group Proposals

49. The Working Group was pleased with both the broad range of respondents and with the thoughtful analyses and valuable insights the different stakeholder groups offered. The views expressed offer insights that are relevant not only to the IAASB, but also for accounting standard setters, regulators and other stakeholders interested in this area.

50. Some of the messages conveyed are within the remit of the IAASB. The Working Group will further deliberate the issues raised to determine the appropriate future actions needed, if any, and their nature and timing. A Project Proposal is expected to be presented to the Board in the first half of 2012.

51. The Working Group believe that the informative views contributed in the responses will be of benefit to many different stakeholders in the financial reporting chain. Therefore, the Working Group believes that sharing what it has learned from the responses will be a useful way to stimulate further thinking and exploration of this very important topic. This approach would also be used as a basis to work collaboratively towards addressing some of the issues raised.

52. The draft Feedback Statement has been prepared as a summary of the comments received and is intended to provide interested stakeholders with a high level view of the broad messages identified in the responses. It is not intended to be a detailed analysis on all the issues raised, nor is it intended to cover all specific future actions of the IAASB in response to the comments.

53. In presenting the draft Feedback Statement the Working Group included some relevant quotes from the respondents, to give emphasis to the points made, and to make the summary of the broad messages identified therein more pertinent for readers. The Working Group agrees the use of the quotes achieves these objectives.

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58 AAP, ASSIREVI

59 FSR

60 ACCA, ICAEW, CPAB, ASSIREVI

Matters for IAASB Consideration

1. Does the IAASB consider the publication of a "Feedback Statement" for the comments received on the Discussion Paper will be an efficient and appropriate way to publicly communicate to stakeholders and interested parties about the broad messaging identified in the responses?
2. The IAASB is asked for its comments on the draft Feedback Statement presented in Agenda item 10-B.
3. The IAASB is asked whether it believes the specific quotes from respondents, included in the draft Feedback Statement in Agenda Item 10-B, are helpful, and increase the usefulness of the document?
4. For preparation of the expected project proposal, the IAASB is asked whether it has any other comments it would like the Working Group to consider.

APPENDIX

List of Respondents to the Discussion Paper

No	Abbrev.	Respondent
Users and Preparers (7)		
1	HEOS	Hermes Equity Ownership Services
2	100 Group	The Hundred Group of Finance Directors
3	HoTARAC	Australian Department of Treasury and Finance
4	HQ	Hydro–Québec
5	IACVA	International Association of Consultants, Valuators and Analysts
6	ICGN	International Corporate Governance Network
7	QCA	The Quoted Companies Alliance
Regulators and Oversight Bodies (10)		
8	AOB	Audit Oversight Board–Securities Commission Malaysia
9	AIU	Audit Inspection Unit and Auditing Practices Board (UK)[61]
10	CPAB	Canadian Public Accountability Board
11	EBA	European Banking Authority
12	ESMA	European Securities and Markets Authority
13	FAOA	Federal Audit Oversight Authority of Switzerland
14	SEHKL	The Stock Exchange of Hong Kong Limited
15	IAIS	International Association of Insurance Supervisors
16	IOSCO	International Organization of Securities Commissions
17	IRBA	Independent Regulatory Board for Auditors (South Africa)
National Auditing Standard Setters (5)		
18	AICPA	American Institute of Certified Public Accountants
19	AuASB	Australian Auditing and Assurance Standards Board
20	HKICPA	Hong Kong Institute of Certified Public Accountants
21	AASB–MIA	Auditing and Assurance Standards Board of the Malaysian Institute of Accountants
22	NZICA	New Zealand Institute of Chartered Accountants–Professional Standards Board
Audit Firms (5)		
23	DTT	Deloitte Touche Tohmatsu Limited
24	EYG	Ernst & Young Global
25	GT	Grant Thornton International
26	KPMG	KPMG IFRG Limited
27	PwC	Pricewaterhouse Coopers

[61] For the purpose of this table only, the joint response letter from the AIU and AIU (UK) has been listed once only under the “Regulators and Oversight Authorities” category.

Professional Institutes – Americas (4)		
28	FICPA	Florida Institute of Certified Public Accountants
29	IMCP	Instituto Mexicano de Contadores Públicos
30	NYSSCPA	New York State Society of Certified Public Accountants
31	OCAQ	Ordre des comptables agréés du Québec
Professional Institutes – Europe & Africa (15)		
32	ACCA	The Association of Chartered Certified Accountants
33	AIA	The Association of International Accountants
34	ASSIREVI	Associazione Italiana Revisori Contabili
35	CNCC–CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l'Ordre des Experts–Comptables
36	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
37	EFAA	European Federation of Accountants and Auditors for SMEs
38	FAR	Institute for the Accountancy Profession in Sweden
39	FEE	Federation of European Accountants
40	FSR	Danske Revisorer (Danish Institute of Professional Accountants)
41	ICAEW	The Institute of Chartered Accountants in England and Wales
42	ICAS	The Institute of Chartered Accountants of Scotland
43	ICJCE	Instituto de Censores Jurados de Cuentas de España
44	IDW	Institut der Wirtschaftsprüfer
45	NBA	Nederlandse Beroepsorganisatie van Accountants
46	SAICA	The South African Institute of Chartered Accountants
Professional Institutes – Asia / Oceania (3)		
47	AAP	Australian Accounting Profession (CPA Australia, The Institute of Chartered Accountants in Australia, Institute of Public Accountants)
48	ICAP	The Institute of Chartered Accountants of Pakistan
49	JICPA	The Japanese Institute of Certified Public Accountants
Individuals and others (2)		
50	FI	Felicitas T Irungu
51	JM	Dr. Joseph S. Maresca, CPA, CISA