

Meeting: IAASB
Meeting Location: Los Angeles
Meeting Date: December 5-9, 2011

Agenda Item

5

Auditor Reporting

Objectives of Agenda Item

1. To consider the responses received to the IAASB's Consultation Paper (CP), *Enhancing the Value of Auditor Reporting: Exploring Options for Change*.
2. To approve the commencement of a project on auditor reporting.

Working Group (WG)

3. The WG comprises:
 - Dan Montgomery, Chair, IAASB Member
 - Cédric Gélard, IAASB Member
 - Tomokazu Sekiguchi, IAASB Member
 - Marek Grabowski, IAASB Technical Advisor
 - Jon Rowden, IAASB Technical Advisor
4. Technical advisors supporting WG members on the project include Denise Esdon (for Mr. Montgomery), Sachiko Kai (for Mr. Sekiguchi) and Isabelle Tracq-Sengeissen (for Mr. Gélard). Denise Weber of Ernst & Young has also supported Mr. Montgomery, and Steve Leonard of the UK Financial Reporting Council has supported Mr. Grabowski.

Activities since Last IAASB Discussion

5. The CP was issued in May 2011, with a 120-day comment period that ended on September 16, 2011. Comment letters have been received from 82 respondents. A list of respondents is provided in **Agenda Item 5-B**. All responses can be accessed from the IAASB's website at www.ifac.org/publications-resources/enhancing-value-auditor-reporting-exploring-options-change.
6. The WG met physically in October 2011 and via teleconference in September 2011 and November 2011 to consider the comments received on the CP and develop the project proposal.

Material to Be Discussed during the Meeting

7. The WG Chair will present an overview of key themes noted in the responses to the CP. The IAASB will then be asked to consider the project proposal (PP) included in **Agenda Item 5-A**. The WG Chair will also refer to **Agenda Item 5-B** which summarizes comments received on the CP and sets out the WG's consideration of the issues and its recommendations in response.
8. For information, **Agenda Item 5-C** provides a scorecard of responses to questions around the five main options explored in the CP and other key questions. It is intended to provide additional context to, and should be read in conjunction with, **Agenda Item 5-B**.

Matters for IAASB Consideration

9. The intent of the PP is to identify the scope, major focus, and objectives of a project on auditor reporting. The PP intentionally sets a relatively broad remit for the project in light of the diversity in the nature of the changes requested by various stakeholders. This also reflects the fact that, as the IAASB's approach to developing the CP was exploratory in nature, the level of specificity in responses to the CP varied considerably. Nevertheless, should the IAASB approve the PP, the responses received will be instrumental in guiding the IAASB's project Task Force's deliberations on specific issues in 2012.
10. In formulating its recommendations and the PP for the Board's approval, the WG has been mindful of the fact that calls for change to auditor reporting continue to increase, and that in several jurisdictions there continues to be development on related initiatives (by, for example, the European Commission, U.S. Public Company Accounting Oversight Board, and U.K. Financial Reporting Council, among others). The WG also notes that the IAASB CAG to date has been broadly supportive of IAASB consideration of how it might enhance the value of auditor reporting. The agenda materials take into account the WG consideration of strategic input to the topic from the September 2011 CAG meeting.¹
11. Given the public interest in the topic and the ambitious timetable set for the project (as noted in the Project Timetable section of **Agenda Item 5-A**), the WG believes that the IAASB's approval of the PP at this meeting would enhance the IAASB's ability to timely respond to the calls for change. Discussion of the PP is planned for the March 2012 IAASB CAG meeting. Should comments from that meeting warrant amendment to the PP, this would be discussed with the IAASB at its March 2012 meeting (as has been the practice for other project proposals approved by the IAASB).
12. In considering **Agenda Item 5-A** and **Agenda Item 5-B**, the IAASB is asked to focus on the following key questions:

¹ At the September 2011 CAG meeting, three panelists representing users, preparers, and regulators presented views on strategic questions relating to the importance of consistency, the possibility of the auditor providing additional insight into key matters, considerations related to small- and medium-sized entities (SMEs), and other matters. The CAG agenda material for this session can be accessed in Agenda Item H at the following link: www.ifac.org/meetings/prague-czech-republic.

- Does the IAASB agree with the WG's recommendation that a formal project on auditor reporting be undertaken and commenced immediately?
- Do the WG's recommendations set forth an appropriate and practical response by the IAASB to calls for change in auditor reporting and, more broadly, to contribute to the enhancement of corporate financial reporting?
- Does the IAASB believe that all critical matters that are likely to impact considerations under the project have been appropriately included in the project proposal?

Material Presented

- Agenda Item 5-A Enhancing the Value of Auditor Reporting – IAASB Project Proposal to Revise Relevant ISAs
- Agenda Item 5-B Auditor Reporting – Summary of Significant Views, Threshold Questions and Working Group Suggestions for Way Forward
- Agenda Item 5-C Options for Change in Auditor Reporting – Scorecard of Responses Received on Consultation

Actions Requested

13. The IAASB is asked to:
- (a) Share views in relation to the questions included in paragraph 12, or on any other matters discussed in **Agenda Item 5-A** and **Agenda Item 5-B**; and
 - (b) Approve the project proposal.