

Meeting: IAASB
Meeting Location: Teleconference
Meeting Date: April 24, 2012
6:30 a.m. – 9:30 a.m. EST

Agenda Item

1

Auditor Reporting—Clarifications, Transparency, and Building Blocks

Objectives of Agenda Item

1. To consider the recommendations of the Auditor Reporting Task Force (TF) in relation to enhancing transparency about the audit and clarifying the auditor's responsibilities in the auditor's report.
2. To consider a draft illustration of a possible enhanced auditor's report for a public interest entity (PIE) ("draft illustrative auditor's report") based on the TF's recommended presentation.

TF and Subcommittees

3. The TF comprises the following IAASB members:
 - Dan Montgomery, IAASB Deputy Chair, Chair of TF
 - Jon Grant
 - Merran Kelsall
 - Bill Kinney
 - Annette Köhler
 - Bruce Winter
4. The TF is supported by four subcommittees: the Clarifications and Transparency subcommittee; the Building Blocks subcommittee; the Auditor Commentary subcommittee; and the Going Concern/Other Information subcommittee.¹

Activities since Last IAASB Discussion

5. The TF held a physical meeting to further develop proposals related to clarifications and transparency, and to formulate a draft illustrative auditor's report.

¹ The subcommittee compositions are (unless otherwise indicated, subcommittee members are IAASB members): *Clarifications and Transparency Subcommittee* – Bill Kinney, Chair; Caithlin Mc Cabe; Abdullah Yusuf; Susan Jones, IAASB Technical Advisor; *Building Blocks Subcommittee* – Merran Kelsall, Chair; Brendan Murtagh; Tomokazu Sekiguchi; Jon Rowden, IAASB Technical Advisor; Len Jui, KPMG Beijing; *Auditor Commentary Subcommittee* – Dan Montgomery, Chair; Cédric Gélard; Marc Pickeur; Marek Grabowski, IAASB Technical Advisor; *Going Concern / Other Information Subcommittee* – Jon Grant, Chair; Arch Archambault; Annette Köhler; Bruce Winter.

I. Proposals Relating to Transparency and Clarifications

Transparency

6. Respondents to the IAASB's May 2011 Consultation Paper (CP), *Enhancing the Value of Auditor Reporting: Exploring Options for Change*, expressed support for greater transparency about certain aspects of the audit. Recent policy proposals by the US Public Company Accounting Oversight Board (PCAOB) and the European Commission (EC) have also included initiatives to enhance transparency in auditor reporting.
7. In considering how the auditor's report could provide more transparency about the audit process, the TF has focused on the value and impediments of each of the proposals below. **Agenda Item 1-A** contains the TF's proposed text relative to these matters—the relevant specific paragraphs are referenced in this paper.

Identification of the Engagement Partner

8. The TF proposes that the engagement partner's name be disclosed in the auditor's report for all audits in accordance with the ISAs. Further feedback on the value and impediments of this proposal will be sought in the planned June 2012 Invitation to Comment (ITC).
9. In relation to this proposal, at its March 2012 meeting the IAASB noted that disclosure of the name of the engagement partner in the auditor's report is already required in several jurisdictions (usually by a requirement for a personal signature). The IAASB also discussed the benefits of increased transparency against potential impediments, such as: perceived reduction in the responsibility of the firm; possible increased legal liability for the engagement partners in some jurisdictions; and the applicability of the disclosure to entities of all sizes. The IAASB Consultative Advisory Group (CAG), as well as the Public Interest Oversight Board (PIOB) representative attending the March 2012 IAASB meeting, expressed support for this proposal and cautioned the IAASB not to pre-judge the impediments as insurmountable. It was noted that this is already a widespread practice and there is a benefit in heightening the sense of individual accountability of engagement partners. It was also noted the need for the IAASB to be progressive.
10. The TF does not propose requiring the engagement partner's *signature*, in addition to or in lieu of disclosure of the name of the engagement partner. It does not see particular merit in doing so and believes that the decision about whether to mandate a particular signature in the auditor's report should be left to the discretion of NSS. The ISAs would, therefore, continue to permit the signature to be either in the name of the audit firm, the personal name of the audit partner, or both, as appropriate for the particular jurisdiction.
11. In the absence of requiring the engagement partner signature, disclosure via the auditor's report would likely take the form of a typed statement. While there may be merit in mandating the form of this statement, the TF is of the view that the wording and placement is better left to NSS under the building blocks approach to allow them to consider the form of disclosure in tandem with any local requirements for engagement partner signature. This matter will be explored further with NSS at the upcoming IAASB-NSS meeting. The TF's recommendation on the specific wording is contained in **Agenda Item 1-A** (see end of the illustrative auditor's report).

12. The TF also further considered whether disclosure of the names of all members (or alternatively, key members) of the engagement team should be mandated in the auditor's report (in light of the proposed EC legislation for the auditor's report to identify each member of the audit engagement team and state that all members remained completely independent). While doing so may be seen by some as a useful way to further enhance transparency about the audit, the TF agreed with the IAASB's view that the impediments of any such requirement were high compared to the relative value. In particular, the TF recognized that a lengthy list would result in certain circumstances, for example in the case of a group audit of a large listed entity. It is important to note, however, that nothing would preclude auditors from providing such disclosure if required by law or regulation.

Matter for IAASB Consideration

1. Does the IAASB support the proposal to mandate the disclosure of the name of the engagement partner in the auditor's report, but not mandate the location in the auditor's report or the manner in which it is disclosed?

Statement of Compliance with Relevant Ethical Requirements

13. ISAs currently require the description of an auditor's responsibilities to indicate that ISAs require that the auditor comply with ethical requirements, as seen in the illustrative report in ISA 700.² However, when national law or regulation requires the auditor to use a specific layout or wording of the auditor's report when applying the ISAs or national auditing standards, no explicit mention of ethical requirements is currently mandated by the IAASB.
14. Because of the importance of compliance with ethical requirements as a basis for the audit and the increased focus on auditors' independence, the TF proposes to mandate a statement of compliance with relevant ethical requirements in all audit reports (see "Basis for Opinion" paragraph in **Agenda Item 1-A**).
15. Both the IAASB and CAG supported this proposal at their respective March 2012 meetings, and asked the TF to further refine the proposed wording of the statement and consider placement within the illustrative auditor's report. Staff liaised with International Ethics Standards Board for Accountants' (IESBA) Staff to discuss possible impediments to requiring an explicit statement of compliance when the *Code of Ethics for Professional Accountants* (IESBA Code) is applied as the "relevant ethical requirements". This included whether it would be possible to name the code of ethics applied, rather than stating only that "relevant ethical requirements" were applied, and how breaches of relevant ethical requirements could be addressed.

Naming of the Ethical Code

16. In light of the complexities and the specificity at the national level, the TF recommends that the statement of compliance with relevant ethical requirements should not require naming which codes are applicable.

² ISA 700, *Forming an Opinion and Reporting on Financial Statements*

17. The TF notes there may be multiple sources of relevant ethical requirements applicable to the auditor (such as a professional code of ethics issued by the IESBA or an IFAC member body, legislation and a regulator's or stock exchange's requirements). This is further complicated in the circumstance of a group audit. Therefore, a list of all codes containing relevant ethical requirements in the auditor's report may be an extensive, and not particularly useful, disclosure.
18. A further question is what is an "ethical" requirement? Is a legal requirement to not hold an equity interest in a client an ethical requirement? What about a requirement that the auditor be competent in audits of that type of entity (e.g., banks) or meet some professional education requirement? Paragraph A14 of ISA 200³ notes that "relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code related to an audit of financial statements together with national requirements that are more restrictive." Therefore, it is possible that the auditor's report could refer to the IESBA Code although, in many jurisdictions, this may not be meaningful to users or to auditors if their national code incorporates the IESBA code but uses a national name for the resulting code.

Defining and Disclosing Breaches of the Code

19. The Clarifications Subcommittee Chair and Staff have discussed the treatment of non-compliance with the IESBA Code with IESBA Staff to understand possible impediments to requiring a statement of compliance with relevant ethical requirements in such circumstances. Discussions with IESBA Staff indicate that breaches of the IESBA Code comprise:
 - (a) Non-compliance with a "shall" requirement such as the prohibition of contingent fees for an audit engagement (Section 290.225); and
 - (b) An inadequate safeguard to an identified threat, such that the threat to independence is not eliminated or reduced to an acceptably low level.

IESBA Staff mentioned that, of these, an inadequate safeguard to an identified threat is likely to be more judgmental and that breaches can be discovered after the audit report has been issued. Other ethical codes may contain more explicit, or different, definitions of what constitutes a breach of relevant ethical requirements, or may not use a threats and safeguards approach as is done in the IESBA Code. It was also noted that the IESBA has an active project to address the nature and treatment of breaches of the IESBA Code.⁴

20. With this context, the TF debated the value and impediments of disclosing breaches. It was noted that disclosing breaches would be transparent and address some calls for more information about the conduct of the audit. However, this disclosure may be lengthy within the auditor's report (particularly given the need to supply sufficient facts and circumstances to avoid giving the impression that the auditor is, in fact, not independent), and would be incomplete if a breach was discovered after the audit report was signed. Further, regardless of how well the disclosure is written, users may nevertheless question the auditor's independence and the validity of the

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

⁴ www.ifac.org/ethics/projects/breach-requirement-ethics-code

auditor's report in light of the heading of the report (which is required to indicate that it is the report of an "independent" auditor).

21. An alternative is to provide additional standardized language about the auditor's responsibilities with respect to communications with those charged with governance (TCWG) regarding matters that may reasonably be thought to bear on independence. This approach avoids the dichotomy of disclosing breaches of independence requirements while still asserting independence, minimizes the potential variation in auditors' reports, and avoids undermining confidence in auditors' reports. It also would improve transparency by providing users with an understanding of the requirements of ISAs regarding relevant ethical requirements.
22. The TF supports this alternative approach and, accordingly, recommends that the auditor's report include standardized language in the "Auditor's Responsibility" section to assist users in understanding the auditor's responsibilities with respect to breaches (see final paragraph under "Auditor's Responsibility" in **Agenda Item 1-A**). It is proposed that the ITC ask users if they find the additional disclosures useful when read together with a required explicit statement of compliance.

Matters for IAASB Consideration

2. Does the IAASB support the TF's recommendation to mandate a statement of compliance with relevant ethical requirements, but not require the disclosure of the sources of the relevant ethical requirements? Does the IAASB support the use of standardized language within the "Auditor's Responsibility" section of the auditor's report to provide context to the statement of compliance with ethical requirements, rather than disclosing breaches?

Clarifications

The Auditor's Responsibilities

23. Nearly all respondents to the May 2011 CP, including users, auditors, regulators and preparers, suggested that (i) including additional information in auditor's reports to further describe the auditor's responsibilities in certain areas and (ii) clarifying technical terms would contribute positively to narrow the expectations gap (together with other steps to educate users about the nature and purpose of an audit) and improve auditor reporting. Even though such material would be essentially standardized language, benefits cited include greater transparency of the audit process, more insight into the qualitative aspects of an audit, and enhanced understanding of the role of the auditor and the nature of the work the auditor performs.
24. After debating a number of options at its March 2012 meeting, the IAASB indicated that the preferred way of addressing respondents' comments regarding clarifications of technical terms would be to enhance the "Auditor's Responsibility" section of the auditor's report to explain more fully the concept of a risk-based audit, thereby encapsulating the technical terms in the framework of an ISA audit. The alternative of clarifying each of the terms individually was seen as less helpful to users. In response to the IAASB's comments, the TF and Clarifications Subcommittee redrafted the "Auditor's Responsibility" section as follows:
 - Reorganized the description of a risk-based audit to emphasize the concept of reasonable assurance and to make other improvements to wording (see first paragraph under "Auditor's

Responsibility” in **Agenda Item 1-A**);

- Reorganized the remainder of the standardized material so that it is clear that an ISA audit involves the concepts of auditing and accounting competencies, professional judgment and skepticism (see second paragraph under “Auditor’s Responsibility” in **Agenda Item 1-A**). The TF has also used this clarification to provide context to additional descriptions of the auditor’s responsibilities regarding:
 - Identifying, assessing and responding to the risks of material misstatement, including addressing the auditor’s responsibility with regard to fraud (see first bullet point under “Auditor’s Responsibility” in **Agenda Item 1-A**);
 - Accounting policies and estimates (See second bullet point);
 - The need to stand back and consider the overall presentation, structure and content of the financial statements (See third bullet point); and
 - Internal control (See fourth bullet point).
- For the June 2012 IAASB meeting, the standardized material will also include a bullet to be used when the engagement is a group audit (see paragraphs 25–26 below for further discussion).

Additional Standardized Material on the Role of Other Auditors / Group Audits

25. In accordance with the views expressed at the March 2012 IAASB meeting, the TF concluded that, while engagement-specific disclosures regarding the role of other auditors are not appropriate for an ISA audit, the need to provide greater transparency could be addressed via additional standardized material (to be applied to audit reports on group entities only) which would emphasize both the ISA 600⁵ requirements and the fact that the group auditor remains solely responsible for the opinion expressed on the group financial statements. This standardized material will be presented for discussion by the IAASB at its June 2012 meeting.
26. In deciding not to require auditors to disclose certain information about the role of other firms in the engagement, the TF noted the IAASB’s strong view that this disclosure runs counter to the existing position adopted in ISA 600. That ISA makes clear that the group auditor remains solely responsible for the conduct of the audit and must be satisfied with the work done by other auditors, and explicitly prohibits reference to a component auditor in the auditor’s report unless required by law or regulation to do so.⁶ While a disclosure of the role of other auditors may be seen to increase transparency about the audit process and provide users of auditors’ reports with additional information, drawing attention to these other auditors was seen by the IAASB as dividing responsibility for the audit, and may serve to confuse readers; a concern shared by some of the IAASB CAG representatives. The TF believes that the existing requirements in ISA 260⁷ and ISA

⁵ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁶ Paragraph 11 of ISA 600 further notes “If such reference is required by law or regulation, the auditor’s report shall indicate that the reference does not diminish the group engagement partner’s or the group engagement partner’s firm’s responsibility for the group audit opinion.”

⁷ ISA 260, *Communication with Those Charged with Governance*

600 for the group auditor to communicate about the planned scope of, and findings from, the audit, including particular requirements when a group audit structure is used, provide adequate transparency to those who would be best placed to evaluate audit quality in the context of a group audit.

Other Issues

Clarification of the Responsibilities of Management and TCWG

27. Respondents to the IAASB's May 2011 CP generally did not express views on whether the description of management's responsibilities in the auditor's report should be further clarified. The TF believes that these responsibilities could be clarified with respect to going concern, as discussed in the April 17, 2012 IAASB teleconference material. Beyond this, the TF does not see an immediate need to change the description, in particular because law, regulation and accounting standard setters are primarily responsible for determining these responsibilities.
28. The TF also considered whether a section on the responsibilities of TCWG, as distinct from management, should be developed for inclusion in all audit reports. While doing so could highlight their responsibilities to oversee the financial reporting process (an important role acknowledged in the ISAs), there are impediments to succinctly describing those responsibilities in a meaningful way due to a lack of consistency across jurisdictions regarding corporate governance. Rather, the TF believed it would be more appropriate to highlight the auditor's communication responsibilities in relation to significant deficiencies in internal control in the Auditor's Responsibility section, and make reference to the auditor's discussions with TCWG in relation to matters included in the Auditor Commentary section (see introductory language to this section in **Agenda Item 1-A**).

Proposed Approach to Provide the Auditor's Views on an Entity's Internal Control

29. While required in a few jurisdictions, for example the US and Japan, ISAs do not require the auditor to obtain assurance or report on the effectiveness of internal control over financial reporting. Rather, the auditor is required to consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. The EC legislative proposals suggest the need for the auditor to "assess the entity's...internal control system, including significant deficiencies identified during the audit ..."
30. The TF expressed the view that users' needs could best be balanced against the impediments to additional disclosure in the auditor's report by a combination of two options:
 - Firstly, enhanced standardized language within the "Auditor's Responsibility" section to better describe the auditor's responsibility relative to internal control, by highlighting the requirements in ISA 265⁸ for the auditor to communicate identified deficiencies in internal control to management and TCWG (see fourth bullet point under "Auditor's Responsibility" in **Agenda Item 1-A**).
 - Secondly, under the proposed criteria for additional entity-specific auditor commentary, auditors of PIEs would be required to consider matters discussed with management and

⁸ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

TCWG, which would include discussions about significant deficiencies in internal control, in determining key matters of audit significance to include in auditor commentary. The auditor may therefore judge it necessary to include auditor commentary to discuss these deficiencies. Such commentary could range from a reference to any disclosures about the deficiencies that had been made by management or TCWG (for example, disclosures in other information, such as management's report) to a more detailed description of the deficiency including quantification of any misstatements arising from the deficiency or management's actions to remediate these deficiencies, as well as commentary explaining how the planned audit approach may have been affected by the identification of these deficiencies.

Matter for IAASB Consideration

3. Does the IAASB support the revised description of the auditor's responsibility included in the illustrative report in **Agenda Item 1-A**?

II. Draft Illustrative Auditor's Report

Background

31. At their March 2012 meetings, the IAASB and IAASB CAG affirmed the need to provide an illustrative auditor's report incorporating the IAASB's proposed direction in the planned June 2012 ITC. The TF has not yet fully concluded whether ordering or wording of any of the required auditor reporting elements, or the use of headings and subheadings, should be mandated. The TF will report back to the IAASB its final views at its June 2012 meeting.
32. The illustrative enhanced auditor's report in **Agenda Item 1-A** highlights the TF's preferred presentation based on the proposed elements to be included in an auditor's report for a PIE.⁹ This illustrative report would be indicative of the IAASB's intended direction for its revision of ISA 700. The revision of ISA 700 could also include guidance to explain why the IAASB supported this particular positioning of the elements of the illustrative report. Such guidance is also likely to be useful in jurisdictions that adopt the ISAs (in lieu of a national standard setter (NSS) tailoring them for national law or regulation), as auditors in these jurisdictions are likely to find value in understanding the rationale of the IAASB's preferred approach.
33. A number of respondents to the May 2011 CP, particularly regulators, supported exploring whether the location of the auditor's opinion could be changed to make it more prominent within the auditor's report. These respondents believed that the "pass/fail" nature of the audit had value and is currently the focal point for readers of the auditor's report. While not yet concluded on the matter, the TF did see merit in potentially requiring the "Basis for Opinion" paragraph to immediately precede or follow the Opinion paragraph to provide appropriate context. Given the calls for enhanced transparency about the audit and the entity's financial statements, the TF believes there is merit in including critical entity-specific matters, such as auditor commentary, near the auditor's

⁹ The TF will give further consideration in due course as to whether additional illustrative auditors' reports would be necessary in the ITC to illustrate the flexibilities of the building blocks approach. In addition, the TF recognizes that changes to the form and content of the auditor's report would be needed when the auditor modifies the opinion; this will be highlighted in the ITC and specific examples will be further considered subsequent to the June 2012 IAASB meeting.

opinion to highlight the matters that are likely to be most relevant to users, as a means of messaging to increase readership.

34. The TF recognizes, however, that what is most relevant to users likely depends on the nature of the entity and the environment in which it operates. For example, in developing nations or emerging economies, users of the financial statements may find more value in the standardized language that describes the auditor's responsibilities (i.e., the "About Our Audit of the Financial Statements" section in **Agenda Item 1-A**), and NSS may wish to mandate that this information be provided before auditor commentary. The need for this flexibility is a key premise of the building blocks approach and will be explained further in the June 2012 ITC.

Matters Raised at Last IAASB Teleconference

35. The TF has considered the feedback received from the IAASB at its April 17, 2012 teleconference addressing auditor commentary, and will continue to refine its proposals for further discussion with the IAASB at its June 2012 meeting. The following matters were taken into account by the TF in developing the illustrative report:

General Matters Relating to Auditor Commentary

- *Auditor commentary could be seen as providing individual opinions, or separate assurance, on the matters discussed.* The TF believes that descriptive introductory language is necessary to allow users to understand the objective of providing auditor commentary and read the matters in the appropriate context (i.e., in the context of the auditor's work on the financial statements as a whole). This wording also notes that the auditor's opinion is not modified with respect to these matters, as a means of ensuring that auditor commentary is not used as, or taken to be, a substitute for a modified opinion in circumstances where it would be appropriate. This introductory language may be refined based on the TF's further consideration of the objective of auditor commentary.
- *The proposal to require additional auditor commentary for PIEs was generally supported.* The majority of the IAASB supported the TF's proposal, recognizing the need to more fully understand whether there were impediments to using the definition of PIEs in the IESBA Code. This matter will be discussed with NSS. The TF also agreed that non-PIEs would not be precluded from including additional auditor commentary should they consider it necessary to do so in the circumstances of the engagement. The ITC will note the range of options considered by the TF in arriving at its recommendation (i.e., require for all entities, listed entities, or PIEs), and explain the IAASB's deliberations in relation to PIEs.
- *Further clarification about how Emphasis of Matter (EOM) paragraphs would be included in the broader category of auditor commentary would be useful.* The TF continues to believe that the objectives of EOM paragraphs and auditor commentary are the same. However, the TF recognizes the inherent complication of removing the ability for non-PIEs to include an EOM paragraph when considered necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. On a preliminary basis, the TF has determined that the principle of EOM paragraphs should be retained to allow for non-PIEs to use this tool to alert readers of the auditor's report to fundamental matters should

the auditor judge it necessary to do so. In the context of PIEs, the concept would be subsumed into auditor commentary, in light of the TF's view that additional entity-specific auditor commentary would be included for all PIEs. The TF believes that, based on the matters to be taken into account in the proposed requirement to include additional entity-specific auditor commentary, there would be key matters of audit significance for *nearly all engagements*, and that EOM paragraphs are sometimes used currently (although infrequently) to draw attention to such matters.

For the June 2012 agenda material, the TF will prepare a summary of all the specific circumstances within ISAs for which an EOM or Other Matters (OM) paragraph would be *required*, as well as circumstances in which these paragraphs *may be included* depending on the auditor's judgment. The TF also intends to further consider how ISA 706¹⁰ would be considered in developing requirements and guidance for auditor commentary and will report back to the IAASB in due course.

Comments on Going Concern

- *Confusion exists with respect to the concepts of "going concern assumption" and "material uncertainties" and users may find different value in auditor commentary on each relating to the auditor's work effort under ISA 570.*¹¹ The TF believes there is merit in separating the auditor's conclusion on the appropriateness of the going concern assumption from the auditor's statement about whether the auditor has identified material uncertainties relating to events or conditions that may cast doubt on the entity's ability to continue as a going concern. Additional wording describing the going concern assumption has been placed in the section describing management's responsibilities, though the TF was also of the view that this information could be placed before the auditor's conclusion on the going concern assumption to give it appropriate context. In addition, the TF believes the ITC could provide language to support the IAASB's recommendations to explain the concepts of the "going concern assumption" as compared to "the entity's ability to continues as a going concern" to enable respondents to understand the premise on which the IAASB's recommendations are based.

Comments on Other Information

- *Further clarification is needed to provide context to the auditor's statement that no material inconsistencies have been identified in reading the other information, in light of the current work effort under ISA 720.*¹² The TF agreed it would be useful to include additional wording to describe the purpose of the auditor's work on other information. It was also suggested that referencing to "reading" the other information could be strengthened; however, the TF is of the view that the wording in the proposed statement should be based on the current work effort in extant ISA 720. Notwithstanding this, the TF believes the revision of ISA 720 will address some concerns over the perception of the value in the limited work, and that the ITC

¹⁰ ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

¹¹ ISA 570, *Going Concern*

¹² ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

should highlight that the wording of this statement will be affected by the IAASB's work on ISA 720, and provide an indication of the timing of the exposure draft.

Matters for IAASB Consideration

4. The IAASB is asked to consider the draft illustrative auditor's report in **Agenda Item 1-A** and provide views on the overall presentation and placement of the various elements. In particular:
 - (a) Do IAASB members agree with the TF's proposed ordering of the various elements in the illustrative report?
 - (b) Do IAASB members have a preliminary view as to whether headings and sub-headings for certain sections (for example Basis for Opinion, Auditor Commentary) should be required in all cases?

For purposes of this discussion, each IAASB member will be asked to give summarized remarks indicating whether they support the proposed presentation and, if not, highlight improvements that could be made in further progressing the draft.

The IAASB will have the opportunity to discuss revised wording in relation to auditor commentary, including illustrative examples of additional entity-specific auditor commentary for PIEs, at its June 2012 meeting.

Material Presented

Agenda Item 1-A	Draft Illustrative Auditor's Report—Illustration of a Possible Enhanced Auditor's Report for a Public Interest Entity
-----------------	---

Actions Requested

36. The IAASB is asked to consider the above issues and proposals, and to provide input and guidance to the TF in finalizing the proposals for inclusion in the June 2012 ITC.
37. Should IAASB members have editorial changes to the revised description of the auditor's responsibilities in **Agenda Item 1-A**, they are asked to share these changes with IAASB Staff in advance of, or immediately following, the teleconference.