

Meeting: IAASB
Meeting Location: Brussels
Meeting Date: February 12–14, 2013

Agenda Item 2

Auditor Reporting

Objectives of Agenda Item

1. To discuss key issues relating to auditor commentary (AC), including the establishment of a new ISA, a revised objective, new requirements and criteria for auditors, and consideration of whether to retain Emphasis of Matter (EOM) and Other Matter (OM) paragraphs.
2. To discuss key issues relating to the remaining suggested improvements discussed in the June 2012 Invitation to Comment: *Improving the Auditor's Report* (ITC) that were not discussed with the IAASB at its December 2012 meeting, including disclosures regarding the involvement of other auditors; other information; description of the respective responsibilities of management, those charged with governance (TCWG) and the auditor; the possibility of allowing standardized material describing the auditor's responsibilities to be referenced elsewhere; and disclosing the name of the engagement partner.
3. To receive an update in relation to work of the International Financial Reporting Interpretations Committee (IFRIC) to consider additional guidance addressing material uncertainties and consider a way forward in relation to auditor reporting on going concern (GC).
4. To discuss proposed requirements of a revised ISA 700,¹ including revisions to existing ISA 700 requirements and new requirements to operationalize the IAASB's suggested improvements to auditor reporting.

Drafting Teams and Respective Responsibilities

5. After the December 2012 IAASB meeting, a new structure was put in place for the Auditor Reporting Project. Two Drafting Teams were established to make progress on the overall revisions of ISA 700 and the development of requirements and guidance supporting AC, considered to be the key components of the planned June 2013 Exposure Draft (ED). The members of the former Auditor Reporting Task Force (TF) are indicated with a * below. Dan Montgomery, IAASB Deputy Chair, will retain overall responsibility for leadership of the Auditor Reporting project. The DTs are comprised of the following members:

¹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

ISA 700 Drafting Team (DT-700)	ISA 707 Drafting Team (DT-707)
<ul style="list-style-type: none"> • Bruce Winter, IAASB Member and Chair of DT-700* • Dan Montgomery, IAASB Deputy Chair, Chair of DT-707 and Overall Project Chair* • Jon Grant, IAASB Member* • Merran Kelsall, IAASB Member* • Annette Köhler, IAASB Member* • Len Jui, KPMG Beijing • Brendan Murtagh, IAASB Member 	<ul style="list-style-type: none"> • Dan Montgomery, IAASB Deputy Chair, Chair of DT-707 and Overall Project Chair* • Cédric Gélard, IAASB Member • Marc Pickeur, IAASB Member • Tomo Sekiguchi, IAASB Member • Marek Grabowski, IAASB Technical Advisor
<p><i>Responsible for revisions to ISA 700, ISA 705,² ISA 570,³ and conforming changes to other ISAs as necessary</i></p>	<p><i>Responsible for development of new ISA 707⁴ and revisions to ISA 706,⁵ ISA 260⁶ and conforming changes to other ISAs as necessary</i></p>
<p><i>Revisions to auditor reporting requirements in proposed ISA 720 (Revised)⁷ will be further progressed by the ISA 720 TF after the close of the ED comment period. However, it will be important for DT-700 to liaise with the ISA 720 TF to determine an appropriate way forward in light of responses received to the ISA 720 ED.</i></p>	

Activities since Last IAASB Discussion

6. The former Auditor Reporting TF held a physical meeting in December 2012 to discuss the summary of responses to ITC questions not considered by the IAASB at its December 2012 meeting. The two DTs held both physical meetings and teleconferences to prepare the agenda materials, in particular the revised ISA 700 requirements and the proposals relating to AC. The DTs met jointly with an International Accounting Standards Board (IASB) member and Staff to share thoughts about the proposed limited amendments to IAS 1⁸ discussed at the January 22–23, 2013 IFRIC meeting.
7. Meetings were held in January 2013 with the European Commission Head of Audit, Nathalie Berger and EC staff, as well as Member of European Parliament Sajjad Karim and staff. IAASB leadership

² ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*

³ ISA 570, *Going Concern*

⁴ DT-707 is of the view that it would be appropriate to develop a new ISA to address AC. See discussion in **Agenda Item 2-A**.

⁵ ISA 706, *Emphasis of Matter and Other Matter Paragraphs in the Independent Auditor's Report*

⁶ ISA 260, *Communication with Those Charged With Governance*

⁷ Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*

⁸ International Accounting Standards (IAS) 1, *Presentation of Financial Statements*

and staff discussed the feedback on the ITC and the IAASB's preliminary decisions from its December 2012 meeting.

Material Presented

Agenda Item 2-A	Auditor Reporting—Auditor Commentary
Agenda Item 2-B	Auditor Reporting—Summary of ITC Responses Relating to Remaining Suggested Improvements
Agenda Item 2-C	Auditor Reporting—Issues Relating to Proposed Revisions to ISA 700
Agenda Item 2-D	Auditor Reporting—Excerpt of Revised Auditor Reporting Requirements included in ISA 700

Action Requested

8. The IAASB is asked to consider **Agenda Items 2-A, 2-B, 2-C, and 2-D** and provide input and guidance to the DTs on the matters identified for IAASB consideration.