

## **Auditor Reporting—Summary of Invitation to Comment (ITC) Responses Relating to Remaining Suggested Improvements**

### **I. Introduction and Purpose of this Paper**

1. The IAASB suggested improvements to auditor reporting in its June 2012 Invitation to Comment: *Improving the Auditor's Report* (ITC). While the IAASB discussed feedback on the ITC in relation to Auditor Commentary (AC), Going Concern (GC) and the “Building Blocks” approach at its December 2012 meeting, further discussion with the IAASB is necessary at its February 2013 on other questions that were included in the ITC. This paper discusses respondents' views in response to questions asked to solicit views about the usefulness, and value and impediments, of the suggested improvements related to:

- Disclosing the involvement of other auditors (OA) (discussed in Section II of this paper);
- Reporting on other information (OI) (discussed in Section III of this paper);
- Enhanced descriptions of the respective responsibilities of management, those charged with governance (TCWG), and the auditor (discussed in Section IV of this paper);
- Relocating of the description of the auditor's responsibilities to an Appendix to the auditor's report or website (discussed in Section V of this paper); and
- Disclosing the name of the engagement partner (discussed in Section VI of this paper).

The detailed list of respondents to the ITC is included as Appendix 1 to this paper for reference.

2. The summary of responses to the ITC included in this paper was initially considered by the Auditor Reporting Task Force (TF) at its December 2012 meeting. The TF gave initial feedback to Staff as to considerations of a possible way forward in relation to each of the matters described below. Staff further refined these considerations and presented them, together with the summary of comments that had been reviewed by the TF, to the ISA 700 Drafting Team (DT-700), with the exception of the discussion on OA, which was considered by the ISA 707 Drafting Team (DT-707). DT-700 has taken the views it expresses within this paper into account in progressing potential requirements for a revised ISA 700,<sup>1</sup> which are discussed in more detail in **Agenda Item 2-C** and **Agenda Item 2-D**. DT-707 further considered the possibility of disclosing the involvement of OA in relation to its ongoing work on AC.

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<sup>1</sup> ISA 700, *Forming an Opinion and Reporting on Financial Statements*

## II. Disclosing the Involvement of Other Auditors (Question 13 of the ITC)

3. The illustrative report in the ITC included an example within AC of a disclosure of the involvement of OA. This example disclosure included the amount of auditor work performed by OA, whether affiliated or not. To further improve transparency for a group audit, the IAASB also included a standardized description of the auditor's responsibility in a group audit in the Auditor's Responsibility section. The disclosure was as follows:

### *Involvement of Other Auditors*

At our request, other auditors performed procedures on the financial information of certain subsidiaries to obtain audit evidence in support of our audit opinion. The work of audit firms with which we are affiliated constituted approximately [percentage of audit measured by, for example, audit hours] of our audit and the work of other non-affiliated audit firms constituted approximately [percentage of audit measured by, for example, audit hours] of our audit. Our responsibilities for the audit are explained in the *Auditor's Responsibility* section of our report.

### *Auditor's Responsibility*

...

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism through the planning and performing of an audit. We also:

...

- Obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit engagement and remain solely responsible for our audit opinion.

4. Question 13 of the ITC asked respondents for their views on the value and impediments of the suggested disclosure regarding the involvement of OA. The ITC also asked respondents whether they believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of AC.

### *Overall Views about Disclosing the Involvement of OA*

5. The table at Appendix 2 to this paper is intended to depict the level of support for requiring disclosure about the involvement of OA, both on an overall basis and from a geographic perspective. A majority of respondents<sup>2</sup> who responded to the question (65 of 117 respondents), in particular accounting firms, did not support including an entity-specific discussion of OA in the auditor's report under any circumstances because, in their view, doing so was contrary to the

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<sup>2</sup> *Investors and analysts:* GCSPS; *TCWG:* AICD, IIA; *Regulators and oversight authorities:* CSA CAC, CSIPPC, ICAC, IRBA, WB; *NSS:* CICPA, CNCC-CSOEC, FAP, HKICPA, IDW, JICPA, MAASB; *Accounting firms:* BDO, CCW-UK, CHI, DTT, KPMG, MAZARS, MNP, PKF, PKF(UK), PP, PWC, SNG, TL, WK; *Public sector organizations:* ACAG, AGA, AGNZ, AGQ, CIPFA; *Preparers:* Gof100-UK, MEDEF, PAIB, QCA; *Member bodies and other professional organizations:* ACCA, ASSIREVI, BICA, CaICPA, CNDCEC, CPAA, DNR, EFAA, FEE, FSR, IBR-IRE, IBRACON, ICAA, ICAEW, ICAN, ICPAI, ICPAK, ICPAS, ICPAU, KWT, MICPA, NYSSCPA, SMPC, WPK; *Individuals and others:* FInguru, JKelly, ROverweg

principle of “sole responsibility” in ISA 600.<sup>3</sup> These respondents were of the view that disclosing the involvement of OA, whether affiliated or not, may unnecessarily highlight the work of the OA and result in users misinterpreting the role of component auditors and the degree of responsibility assumed. Specifically, whether or not OA have been involved should not impact the result of an audit executed in accordance with ISA 600, and reporting this information may imply that the level of assurance is somehow different for a group audit as opposed to a non-group audit.

6. Other reasons respondents did not support disclosure of OA included:

- Such disclosure may mislead users to believe that a higher level of network involvement leads to better audit quality, or cause further pressure to have audits of components done within one firm or network.<sup>4</sup> This perception could lead to an increased insourcing of audits, reduced competition and diversity and thereby further increase audit concentration.
- It is not clear how users will use the quantitative information described in the illustrative report relating to the work performed by OA in the group auditor’s network and by other networks.<sup>5</sup> In one respondent’s view,<sup>6</sup> in order for users to properly make an assessment of the impact of the involvement of OA, they would need to understand the scope of the OA’s work, the results of their audit procedures, the extent of review (and any additional procedures) performed by the group engagement team and the conclusions made by the group engagement team regarding the sufficiency of the work performed, in addition to the competence and qualifications of the component auditor. This conflicts with the majority view in response to AC broadly that a detailed description of the auditor’s procedures would not be appropriate in an expanded auditor’s report.
- There is likely a lack of an appropriate, understandable and transparent approach to measuring the involvement of OA in an audit, in particular if different measures would result in significantly different disclosures for the same entity<sup>7</sup> (see paragraphs 10–12).
- TCWG have an important role to play in the understanding the auditor’s use of OA, both in the audit selection process and during the audit, and it may be more appropriate for them to provide disclosures about OA.<sup>8</sup>
- One respondent indicated that, because certain information on audit engagements has to remain confidential, disclosing details about the number of audit hours would harm the auditor’s ability to compete.<sup>9</sup> One respondent<sup>10</sup> also was of the view that, if necessary, this information could be provided to regulators directly rather than in the auditor’s report.

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<sup>3</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>4</sup> NSS: CICPA, IDW; *Accounting firms*: PKF; *Preparers*: QCA; *Member bodies and other professional organizations*: ICAEW, SMPC

<sup>5</sup> *Accounting firms*: KPMG, MNP; *Preparers*: Gof100-UK; *Member bodies and other professional organizations*: ASSIREVI, ICPAS

<sup>6</sup> *Accounting firms*: MNP

<sup>7</sup> NSS: CICPA; *Accounting firms*: DTT, MAZARS

<sup>8</sup> *Regulators and oversight authorities*: WB; *Accounting firms*: WK; *Preparers*: QCA; *Member bodies and other professional organizations*: ACCA

<sup>9</sup> *Regulators and oversight authorities*: CSIPPC

- ISA 600 already permits auditors to disclose such information when required by law or regulation, which would be more appropriate than an overarching requirement to disclose the involvement of OA.<sup>11</sup>
7. However, many respondents<sup>12</sup> supported including disclosures about OA because doing so:
- Provides additional transparency and insight into the audit process, and illuminates those situations where significant portions of the audit, including joint ventures, are performed by firms other than the firm that signs the group audit opinion.<sup>13</sup> However, these respondents agreed that the group auditor is responsible for the audit and is not relieved of this responsibility by including disclosure about OA in the auditor's report.
  - Could affect investors' and others' assessment of the inherent risks in the audit and could influence their views regarding the quality of the audit, particularly if there are differential views as to the audit quality of different auditors.<sup>14</sup> For example, a few respondents<sup>15</sup> noted audit inspectors have identified issues with both the extent the group auditor has used the work performed by component auditors and the extent of involvement of the group auditor in the work of the component auditor, and cited investors' distrust for the effectiveness of group audits. As a result, there is a view that disclosure of the involvement of OA is particularly important when the OA are not registered firms or when there are legal or other regulatory barriers to them being inspected by an audit regulator. This would seem to suggest that such disclosure would only be valued by these respondents if the *names* of the OAs used on the engagement were listed.
8. A few respondents<sup>16</sup> expressed mixed views about the value of the auditor providing disclosure about OA, and did not have a strong view as to whether the IAASB should require the disclosure of OA. While recognizing this information could be useful to investors to inform their opinions about audit quality, these respondents were of view that there was a need to balance the calls for more information about OA with the enhancements that had been made in ISA 600, which place significant requirements on the group auditor in order to take sole responsibility for the audit when OA are used. Two respondents<sup>17</sup> who did not support disclosure of OA nevertheless suggested

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<sup>10</sup> *Accounting firms:* PKF

<sup>11</sup> *NSS:* HKICPA; *Accounting firms:* CHI

<sup>12</sup> *Investors and analysts:* ABI, CalPERS, HEOS, IMA, NAPF, SLI; *TCWG:* OECD; *Regulators and oversight authorities:* CPAB, CSRC, DFSA, EAIG, HKFRC, IAIS, JSE; *NSS:* ASB, AUASB, NZAuASB, UKFRC; *Accounting firms:* BT, GTI, KI, RSM; *Public sector organizations:* AGC, AGM, BC, NAOS; *Preparers:* BE, CNRL, GofA-100; *Member bodies and other professional organizations:* CGAC, FACPCE, ICAP, ICAS, IMCP, NASBA, ZICA; *Academics:* AAA, JCarcello, PGillis, UofW; *VMassarygina;* *Individuals and others:* CBarnard, DJuvenal/MRejon, KPastakia, RMahadevan

<sup>13</sup> *Investors and analysts:* CalPERS, HEOS, IMA, NAPF, SLI; *TCWG:* OECD; *Regulators and oversight authorities:* CPAB; *NSS:* NZAuASB; *Accounting firms:* GTI; *Preparers:* CNRL, GofA-100; *Academics:* AAA, JCarcello; *Individuals and others:*

<sup>14</sup> *Investors and analysts:* SLI; *Regulators and oversight authorities:* CPAB, IAIS, JSE; *Academics:* PGillis; *Individuals and others:* CBarnard

<sup>15</sup> *Regulators and oversight authorities:* CPAB, JSE; *Academics:* PGillis

<sup>16</sup> *Regulators and oversight authorities:* IOSCO; *NSS:* CAASB, NBA; *Accounting firms:* EYG, GC; *Member bodies and other professional organizations:* CAI, FAR, KICPA

<sup>17</sup> *Accounting firms:* DTT; *Member bodies and other professional organizations:* NYSSCPA

the auditor may need to consider whether any unusual circumstances exist related to the involvement of OA and, if so, the auditor may consider disclosing the involvement of OA. It is also important to note that many respondents,<sup>18</sup> including a number of investors and analysts as well as regulators, did not respond to the question (48 out of 165, or nearly 30%, of the respondents to the ITC).

#### *Views on When Disclosure of OA Should Be Provided*

9. Not all respondents gave explicit views as to whether disclosure of OA should be provided in AC based on the auditor's judgment or in all circumstances where relevant. A few respondents<sup>19</sup> who supported disclosure of OA were of the view that this disclosure should only be included if material or significant, likely as part of AC and tailored to be more entity-specific. These respondents suggested disclosure could be restricted to significant components that are identified due to their individual financial significance to the group, or because they are likely to include significant risks of material misstatement in the group financial statements. On the other hand, a few respondents<sup>20</sup> were of the view that such disclosure should be included in all relevant circumstances, with one respondent<sup>21</sup> commenting that this disclosure should form a part of fuller disclosures by the auditor regarding the auditor's engagement-specific disclosure about the audit scope and strategy.

#### *Views of How Disclosure of OA Could Be Provided*

10. Recognizing the concerns in paragraph 6, a few respondents<sup>22</sup> who supported disclosure of OA explicitly recognized the need for the auditor's report to clearly signal that the group auditor/engagement partner retained sole responsibility for the opinion on the financial statements and had obtained sufficient appropriate audit evidence as a basis for that opinion. A few respondents,<sup>23</sup> who did not support disclosing the involvement of OA, agreed that the statement in the Auditor's Responsibility section to explain the group auditor's responsibilities in a group audit was useful to enhance transparency.

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<sup>18</sup> *Investors and analysts:* BR, EUMEDION, ICGN, JMahoney, S&P, SAAJ; *TCWG:* ACGA, GSaucier, HICG, IBGC, KC; *Regulators and oversight authorities:* AFRC, BCBS, EBA, MAOB; *Accounting firms:* CB, CH-AU/NZ, SRA, WBLI; *Public sector organizations:* CNAO, GAO, RD; *Preparers:* BP, CBI, MEDEF, USCC, VNO-NCW; *Member bodies and other professional organizations:* CAQ, CIMA, CPRB/SCAG, ICAI, ICASL, IE, MIA, NFCCAAROC, OROC, TK; *Academics:* BCEM, BMednick, HC, KJamal/SSunder, RMoroney; *Individuals and others:* ASaleem, IChandra, JHodge/ZMurray, MAhmedi, RRodil, SGiang

<sup>19</sup> *Investors and analysts:* ABI, CalPERS; *Regulators and oversight authorities:* EAIG, HKFRC; *NSS:* AUASB, NZAuASB; *Accounting firms:* BT, GTI, KI; *Preparers:* CNRL, Gof100-A; *Academics:* AAA; *Individuals and others:* DJuvenal/MRejon

<sup>20</sup> *Investors and analysts:* SLI; *Regulators and oversight authorities:* DFSA, JSE; *NSS:* UKFRC; *Public sector organizations:* NAOS; *Member bodies and other professional organizations:* CGAC, IMCP, ZICA; *Academics:* UofW, VMassarygina; *Individuals and others:* RMahadevan

<sup>21</sup> *NSS:* UKFRC

<sup>22</sup> *Investors and analysts:* ABI, CalPERS; *Regulators and oversight authorities:* EAIG, IAIS, JSE; *NSS:* ASB, AUASB; *Accounting firms:* BT, GTI; *Preparers:* BE; *Academics:* UofW

<sup>23</sup> *Regulators and oversight authorities:* ICAC, IOSCO; *NSS:* CAASB; *Accounting firms:* BDO, CHI, DTT, EYG, PKF, TL; *Member bodies and other professional organizations:* ACAG, CPAA, FACPCE, FAR, IBRACON, ICPAU; *Individuals and others:* Finguru

11. One respondent<sup>24</sup> suggested that, to mitigate concerns that disclosure about OA would dilute the auditor's opinion, such disclosure could be presented outside the auditor's report (i.e., after the signature and date). Other respondents<sup>25</sup> cautioned that lengthy disclosures about OA would not be appropriate.
12. In terms of criteria for disclosure, if not left entirely to the auditor's judgment, while supporting the disclosure in the ITC, a few respondents were concerned about using an approach based solely on audit hours for the following reasons:
  - It may not reflect the varying significance of the audit hours of OA to the engagement as a whole (e.g., audit hours spent addressing an area of heightened risk of material misstatement versus hours spent addressing routine transactional testing), in particular when a more substantive, rather than a controls-based, approach is necessary.<sup>26</sup> Also, using hours does not distinguish partner hours from the hours of other management and staff-level positions assigned to the engagements, and may be deceptive because efficiently used hours are not distinguished from inefficiently used hours. To mitigate this, one respondent<sup>27</sup> suggested "percentage of audit hours measured by audit hours, total assets or sales turnover" to allow auditor judgment, if audit hours is not an effective measure of the level of involvement in a particular audit.
  - Other respondents suggested a focus on percentage of assets or profits would be more appropriate.<sup>28</sup> One respondent<sup>29</sup> suggested disclosures should only include any audit firm with an aggregate role in relation to 5% or more of the audited entity's assets or profits, and listed in order of proportions of the overall audit fees, which should also be disclosed against each firm (in percentage terms, rather than absolute fee levels).
13. One respondent<sup>30</sup> suggested a greater level of specificity, for example, disclosure of the names and country locations of OA, perhaps with a cutoff of 10% of audit hours to respond to concerns about such a disclosure becoming too lengthy, or alternatively only require identification of those auditors not participating in an inspection regime where the oversight body is a member of the International Forum of Independent Audit Regulators (IFIAR).
14. Other respondents preferred a less number-driven approach. One respondent<sup>31</sup> suggested a high-level indication of the geographic, entity, or operational area where the OA was involved

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<sup>24</sup> *Investors and analysts:* HEOS

<sup>25</sup> *Regulators and oversight authorities:* HKFRC; *Public sector organizations:* AGM; *Member bodies and other professional organizations:* BICA, CNDCEC, IBR-IRE

<sup>26</sup> *Accounting firms:* DTT; *Member bodies and other professional organizations:* ICAA, ICAS, KICPA, NASBA

<sup>27</sup> *Member bodies and other professional organizations:* KICPA

<sup>28</sup> *Investors and analysts:* HEOS; *Regulators and oversight authorities:* EAIG, IAIS, JSE; *NSS:* ASB, AUASB; *Accounting firms:* BT, GTI; *Preparers:* BE; *Academics:* UofW; *Accounting firms:* DTT; *Member bodies and other professional organizations:* NASBA

<sup>29</sup> *Investors and analysts:* HEOS

<sup>30</sup> *Academics:* JCarcello

<sup>31</sup> *NSS:* AUASB

would be appropriate. Two respondents<sup>32</sup> specifically noted it would be useful for the auditor to explain *why* the auditor considered it necessary to use the work of OA and the nature of that work. It was also acknowledged that this approach would cut down on time compiling the information and would reduce the possibility that users misinterpret the disclosure.

15. In its response, the UK Financial Reporting Council (UKFRC) included an illustrative example under the caption “The scope of our audit.” It incorporated the number of locations visited in the group audit, and the extent of work performed at those locations (full audit or partial audit based on the auditor’s risk assessment), as well as the number of statutory audits performed. The disclosure also calculated the percentage coverage of total assets and Group profits before tax arising from this work, and referenced the disclosures about group materiality. It also provided explanation of a program of planned visits and made reference to material joint ventures which were not audited by the group auditor (see paragraphs 21–22 and Appendix 2 of **Agenda Item 2-A**).
16. Finally, the IAASB was also encouraged to seek to be consistent with any proposals that may be put forward by the US Public Company Accounting Oversight Board (PCAOB)<sup>33</sup> and the European Commission (EC), though it was recognized that the PCAOB’s proposals are influenced by the fact that divided responsibility is permitted in the US, whereas Article 27 of the EC statutory audit directive requires the group auditor to take sole responsibility.

#### *Other Issues*

17. The following other matters were noted by a small number of respondents and are raised for the IAASB’s information:
  - If disclosure of OA is required, it may raise questions as to whether disclosures should be made where the work of internal audit, experts, or other external parties has been used.
  - There may be challenges to requiring such disclosures when joint audits have been performed.
  - Other respondents expressed concern with ISA 600 generally, based on issues noted in their national jurisdictions.

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<sup>32</sup> *Regulators and oversight authorities: CSRS; Accounting firms: RSM*

<sup>33</sup> The PCAOB’s most recent standard-setting agenda (November 2012) continues to list this project as a current project but does not provide indicative timing for adoption or re-proposal. However, the topic of disclosure about other auditors, in particular in jurisdictions in which the PCAOB is not allowed to perform inspections, was highlighted by US Securities and Exchange Commission (SEC) staff at the December 2012 US American Institute of CPA (AICPA)/SEC conference. Certain foreign jurisdictions do not allow the PCAOB access to inspect the audits and quality control procedures of their registered audit firms. When the principal audit firm is located in a country or jurisdiction in which the PCAOB is not allowed to perform inspections, the SEC staff expects registrants to disclose this fact under a separate risk factor heading. SEC Staff explained that registrants should explain that the inability to inspect prevents the PCAOB from regularly evaluating the auditor’s audits and its quality control procedures. The SEC staff expects registrants to disclose that US investors that rely on the auditors’ report are deprived of the benefits of PCAOB inspections of the auditors. While the SEC staff remarks focused solely on principal auditors, given the continued concerns about the PCAOB’s inability to inspect in certain jurisdictions, this disclosure eventually could extend to companies with substantial foreign operations and whose principal auditors use the work of their global network firm members in countries that are not yet subject to PCAOB inspection.

*DT-707 Considerations for a Possible Way Forward in Relation to Disclosure of the Involvement of OA*

18. While the majority of respondents did not support disclosure of the involvement of OA, either for all entities or as part of AC, those that did support it highlight a need for transparency so that readers of the auditor's report can consider, for their own purposes, what effect the use of OA may have on their assessment of audit quality. Calls for transparency in this area, which have also been noted in the responses to the PCAOB's proposals, generally focus on when a significant portion of the audit has been conducted by non-registered firms (in some cases in particular jurisdictions) or where difficulties have been encountered by audit oversight bodies to inspect the audit workpapers or otherwise engage with the component auditor.
19. Revised ISA 600 was intended to provide adequate safeguards to using the work of OA by requiring the group auditor to have significant involvement in the planning and review of the work of component auditors, in particular when such work was done on a significant component. The IAASB was also strongly of the view in finalizing ISA 600 that the group audit must take sole responsibility for the group audit and the auditor's report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference.
20. Importantly, as recognized by a few respondents, the ISAs require TCWG to be made aware of key decisions in the group audit. It was also noted that, if there are perceived patterns of audit quality deficiencies involving the use of OA, these should be addressed with more robust performance rather than reporting standards.
21. The TF and DT-707 agreed that, based on the responses received, there is not sufficient support for requiring disclosure in the auditor's report in all cases when OAs have been involved in the audit. However, recognizing the concerns about the possibility of calling into question the auditor's sole responsibility, in light of responses to the ITC about the benefits of providing such disclosure, the TF and DT-707 are of the view that disclosure about OA in certain circumstances *may be appropriate*, in particular in relation to matters about the group audit that had been specifically discussed with TCWG<sup>34</sup> (for example, an emphasis on the work performed relating to significant components or when significant risks have been identified in particular components audited by OA, or when the group engagement team's access to information may have been

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<sup>34</sup> Paragraph 49 of ISA 600 requires the following:

The group engagement team shall communicate the following matters with those charged with governance of the group, in addition to those required by ISA 260 and other ISAs:

- (a) An overview of the type of work to be performed on the financial information of the components.
- (b) An overview of the nature of the group engagement team's planned involvement in the work to be performed by the component auditors on the financial information of significant components.
- (c) Instances where the group engagement team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.
- (d) Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.
- (e) Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.

restricted), as such matters would likely meet the definition of “matters of audit significance” (see further discussion in **Agenda Item 2-A**, in particular paragraph 29).

22. Alternatively, the IAASB could decide that addressing the issue of the involvement of OAs may be best left to national standard setters (NSS) based on what is considered necessary in the context of their particular jurisdictions and in light of their audit inspection regimes. Include consideration about whether disclosure about OA is necessary as part of AC for listed entities.

**Matter for Drafting Team Consideration**

1. In light of responses to the ITC, does the IAASB agree with DT-707’s recommendation that disclosure of the involvement of OA may be appropriate in certain circumstances?

**III. Reporting on Other Information (Question 10 of the ITC)**

23. The IAASB currently has a project underway to revise ISA 720<sup>35</sup> to enhance the auditor’s work effort with respect to “Other Information” (OI) in documents containing or accompanying the audited financial statements and the auditor’s report thereon. Recognizing the broad support received in responses to the IAASB’s May 2011 Consultation Paper (CP) on auditor reporting, the IAASB considered it appropriate to include suggested reporting on OI in the June 2012 ITC, but signaled that the suggested wording in the ITC is subject to change resulting from the exposure draft (ED) of proposed revised ISA 720 (ED-ISA 720).<sup>36</sup> Within ED-ISA 720, the IAASB evolved the reporting approach originally set out in the ITC based on the expanded scope and objective of proposed ISA 720 (Revised), and developed illustrative wording to replace what was presented in the illustrative report in the ITC.
24. The ED is out for comment through March 14, 2013, and analysis of the responses to the ED will further inform the IAASB’s deliberations on whether and, if so, how, to require auditor reporting in relation to OI. A full review of comments received on exposure is planned for the June 2013 IAASB meeting.
25. At the time the auditor reporting ED is expected for approval (June 2013), the IAASB will need to consider how best to present the illustrative wording of the statement about OI. 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 ED-ISA 720. At a minimum, the illustrative report will include the wording from the ED of proposed ISA 720 (Revised). Alternatively, it could include updated wording in response to comments on that ED if the ISA 720 TF is in a position to recommend such wording. In any case, it will need to be made clear that the IAASB will further refine the wording of reporting on OI and the requirements to support it. However, it is not envisaged that conforming amendments to proposed ISA 720 (Revised) would be included in the auditor reporting ED; rather, the relevant requirements and application material will be finalized by the ISA 720 TF in due course.

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<sup>35</sup> ISA 720, *The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

<sup>36</sup> 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*

26. The information provided below is intended to be a summary of feedback from the ITC. The IAASB's deliberations will be further informed by responses to ED-ISA 720. Accordingly, the IAASB is asked to note the following information and provide any initial reaction.

*Illustrative Language Included in the ITC*

27. The ITC solicited views about the value and impediments of including the following statement in all auditors' reports, where it would be relevant in the engagement circumstances (i.e., when documents containing audited financial statements and the auditor's report thereon include other information):

**Other Information**

As part of our audit, we have read [*clearly identify the specific other information read, e.g., the Chairman's Statement, the Business Review, etc.*] contained in [*specify the document containing the other information, e.g., the annual report*], for the purpose of identifying whether there are material inconsistencies with the audited financial statements. Based upon reading it, we have not identified material inconsistencies between this information and the audited financial statements. However, we have not audited this information and accordingly do not express an opinion on it.

28. Appendix 2 to the ITC included the following language to show how the ITC illustrative auditor's report may be tailored in circumstances when the auditor identified a material inconsistency for which revision of the other information is necessary, and management refuses to make the revision:

**Other Information**

As part of our audit, we have read Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contained in the Company's Annual Report for the year ended December 31, 20X1, for the purpose of identifying whether there are material inconsistencies with the audited financial statements. Based on reading the MD&A, we have noted a material inconsistency in this information compared with the audited financial statements. Specifically, the audited financial statements indicate that total income from continuing operations was XXX. However, the MD&A indicates that income from continuing operations for the first, second, third and fourth quarters of 20X1 were XXX, XXX, XXX and XXX, respectively, amounting to a total of XXX. We have not audited the information in the MD&A and accordingly do not express an opinion on it.

*Support for Including an Explicit Statement in Auditor Reports about OI*

29. The table at Appendix 3 to this paper is intended to depict the level of support for including an explicit statement about OI in the auditor's report, both on an overall basis and from a geographic perspective. Generally, the majority of respondents<sup>37</sup> were supportive of including an explicit

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<sup>37</sup> *Investors and analysts:* ABI, CalPERS, EUMEDION, GCSPS, HEOS, ICGN, IMA, NAPF, SAAJ; *TCWG:* AICD, IBGC, IIA, OECD; *Regulators and oversight authorities:* CPAB, CSA CAC, CSIPPC, CSRC, DFSA, HKFRC, IAIS, IOSCO, IRBA, JSE;

statement in the auditor's report in relation to OI, while a few respondents<sup>38</sup> did not support explicit statements in the auditor's report, as discussed further below. There were 48 respondents<sup>39</sup> (or 30 percent of the 165 respondents) that did not respond to the question, accounting for more than half of the preparers and nearly half of TCWG and regulators and oversight authorities.

30. Respondents who were supportive noted the following:

- Making explicit statements in the auditor's report about the auditor's responsibilities for OI is important and appropriate. This is because some stakeholders may not understand the auditor's responsibility for the OI, and may presume greater involvement by auditors than is the case. Many respondents, including investors and analysts, regulators and oversight authorities, accounting firms, and NSS, noted that such statements will add value to the auditor's report and improve transparency for users, which they believe will reduce the expectations gap.<sup>40</sup>
- Having a disclaimer in the auditor's report relating to the auditor's responsibility for OI is useful to help avoid misinterpretation of such work.<sup>41</sup>
- Making explicit statements about OI is reflective of existing practice and as such the value of such disclosure should outweigh any impediments.<sup>42</sup> For example, because reporting on OI is already required in certain jurisdictions, such as Ireland, Italy, Malaysia, Netherlands,

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NSS: ASB, AUASB, CAASB, CICPA, CNCC-CSOEC, FAP, HKICPA, IDW, MAASB, NBA, UKFRC; *Accounting firms*: BDO, CH-AU/NZ, CHI, DTT, EYG, GC, GTI, KI, KPMG, MAZARS, PKF, PKF(UK), PWC, RSM, SNG, TL; *Public sector organizations*: ACA, BC, CIPFA, NAOS; *Preparers*: BE, Gof100-UK, PAIB, QCA; *Member bodies and other professional organizations*: ACCA, ASSIREVI, CAI, CalCPA, CGAC, CNDCEC, CPAA, EFAA, FACPCE, FAR, FEE, FSR, IBR-IRE, IBRACON, ICAA, ICAEW, ICAI, ICAN, ICAP, ICAS, ICPAI, ICPAK, ICPAS, ICPAU, KICPA, KWT, NASBA, NYSSCPA, OROC, SMPC, ZICA; *Academics*: AAA, UofW, VMassarygina; *Individuals and others*: CBarnard, Djuvenal/MRejon, Flrungu, RMahadevan

<sup>38</sup> *Investors and analysts*: SLI; *NSS*: NZAuASB; *Accounting firms*: BT, CH-AU/NZ, CCW-UK, MNP, PP, WK; *Public sector organizations*: AGC, AGM, AGNZ, AGQ; *Member bodies and other professional organizations*: BICA, CPRB/SCAG, IMCP, MICPA, WPK; *Individuals and others*: JKelly, KPastaski, ROverweg

<sup>39</sup> *Investors and analysts*: BR, JM, S&P; *TCWG*: ACGA, GSaucier, HICG, KC; *Regulators and oversight authorities*: AFRC, BCBS, EAIG, EBA, ICAC, MAOB, WB; *NSS*: ASB, *Accounting firms*: CB, SRA, WBLI; *Public sector organizations*: CNAO, GAO, RD; *Preparers*: BP, CBI, CNRL, Gof100-A, MEDEF, USCC, VNO-NCW; *Member bodies and other professional organizations*: CAQ, CIMA, DNR, ICASL, IE, MIA, NCFPAAROC, TK; *Academics*: BCEM, BMednick, HC, JCarcello, KJamal/SSunder, PGillis, RMoroney; *Individuals and others*: ASaleem, IChandra, JHodge/ZMurray, MAhmedi, RRodil, SGiang

<sup>40</sup> *Investors and analysts*: ABI, CalPERS, EUMEDION, GCSPS, HEOS, ICGN, IMA, NAPF, SAAJ; *TCWG*: AICD, IBGC, IIA, OECD; *Regulators and oversight authorities*: CPAB, CSA CAC, CSRC, DFSA, HKFRC, IAIS, IOSCO, IRBA, JSE; *Accounting firms*: BDO, CB, DTT, EYG, GTI, KPMG, SRA, WBLI; *Public sector organizations*: ACAG, AGA, BC, CIPFA, NAOS; *Preparers*: BE, Gof100-UK, PAIB; *Academics*: AAA, UofW, VMassarygina; *Individuals and others*: CBarnard, DJuvenal/MRejon, Flrungu, RMahadevan

<sup>41</sup> *Investors and analysts*: CalPERS, EUMEDION, ICGN; *Accounting firms*: SNG

<sup>42</sup> *Accounting firms*: CH-AU/NZ, CHI, EYG, GC, GTI, KI, KPMG, MAZARS, PKF, PKF(UK), PWC, RSM, SNL, TL

Portugal, Romania, Sweden, South Africa, UK, and possibly other jurisdictions, respondents were of the view that the proposal will not pose any significant impediments.<sup>43</sup>

31. However, some respondents who were supportive of including a statement in the auditor's report expressed concerns that, because of the limited scope of the auditor's responsibilities for the OI (i.e., such information is not audited), such statements may potentially lead to misinterpretation by users as conveying some level of assurance on the OI.<sup>44</sup> In particular, respondents cautioned that the inclusion of a *conclusion* as to whether any material inconsistencies were identified could be misinterpreted as a providing "negative assurance" on the OI, which may potentially widen the expectations gap. While acknowledging that the disclaimer about the OI not being audited may be helpful in reducing the risk of misinterpretation, a few respondents<sup>45</sup> cautioned that this may not fully mitigate that risk and may create further confusion about the auditor's work effort, and a few respondents<sup>46</sup> did not believe any such conclusion was appropriate (see paragraph 33).
32. Respondents also raised the following concerns about reporting on OI:
- In some jurisdictions, and in certain circumstances, OI is prepared after the issuance of the auditor's report. This may impact the auditor's ability to report on the OI in a timely manner.<sup>47</sup> Respondents suggested that feedback from auditors and preparers should be solicited about the practical challenges that may arise in light of these reporting requirements, and to determine what implementation guidance might be necessary to address those challenges.<sup>48</sup> To do so, the IAASB agreed to include application material in the ED-ISA 720 signalling that, in such circumstances, the auditor will not be able to identify OI in the auditor's report. In addition, unless required by law or regulation, the auditor's report will not be updated or re-issued to refer to such OI. The explanatory memorandum (EM) in ED-ISA 720 further explained that, depending on the timing of receipt of the OI, the auditors' reports on the audited financial statements of two similar entities may be different, as one may include an OI section and the other may not.
  - A few respondents were of the view that the statements are likely to be useful in the first year of implementation to educate users about the auditor's responsibilities for OI, but may become boilerplate and of less value over time.<sup>49</sup>
  - While supportive of providing explanations in the auditor's report about identified material inconsistencies between the audited financial statements for which revisions of the other information is necessary and management refuses to make the revision, one regulator<sup>50</sup>

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<sup>43</sup> *Regulators and oversight authorities:* CSIPPC; *NSS:* NBA; *Accounting firms:* BDO, KI; *Member bodies and other professional organizations:* CNDCEC, ICAEW, MICPA, OROC

<sup>44</sup> *Regulators and oversight authorities:* CPAB; *NSS:* ASB; *Accounting firms:* BDO, GTI, KPMG; *Preparers:* PAIB

<sup>45</sup> *Regulators and oversight authorities:* CPAB; *Public sector organizations:* ACG, AGQ; *Academics:* AAA

<sup>46</sup> *Member bodies and other professional organizations:* ASSIREVI; *Individuals and others:* JKelly

<sup>47</sup> *Accounting firms:* PWC; *Public sector organizations:* ACAG

<sup>48</sup> *Accounting firms:* PWC; *NSS:* ASB

<sup>49</sup> *Accounting firms:* PP; *NSS:* AUASB

<sup>50</sup> *Regulators and oversight authorities:* IOSCO

raised concerns about whether the auditor should continue to be associated with the audited entity in these circumstances.

*Contrary Views about Including an Explicit Statement about OI in Auditors' Reports*

33. In contrast, a few respondents, in particular accounting firms and member bodies and other professional organizations, were not convinced of the value of including a statement in the auditor's report with respect to whether material inconsistencies between the OI and the audited financial statements had been identified. Those respondents were of the view that such a statement in the auditor's report:

- May lead to misunderstanding by users who may make assumptions that the OI has been subject to more extensive audit procedures, and might place undue reliance on the OI, thereby further widening the expectations gap.<sup>51</sup> In this regard, a few respondents<sup>52</sup> suggested further research and outreach is necessary to understand users' perceptions of the auditor's work effort based on the proposed statement about OI to ensure it is clearly articulated.
- May lengthen the auditor's report and encourages "boilerplate" reporting. In these respondents' view, such statements do not add value to users of the auditor's report.<sup>53</sup>
- Goes beyond the auditor's existing responsibilities to conclude on the audited financial statements, which may imply that the auditor would be required to conclude on the OI.<sup>54</sup>
- May result in increases in audit work effort and audit fees, in particular, in jurisdictions that do not currently prescribe reporting responsibilities on OI. Such statements may also expose auditors to additional liability risks.<sup>55</sup>
- May present practical difficulties in relation to incorporating the auditor's report in documents such as securities offerings, as the OI would have changed from the date of the auditor's report.<sup>56</sup>
- May be difficult to operationalize in practice, for example, in some circumstances when the OI may not be available until after the date of the auditor's report. Imposing such a reporting responsibility, in these circumstances, reporting on OI could potentially extend the subsequent events period and increase audit risk.<sup>57</sup>

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<sup>51</sup> *Accounting firms:* CCW-UK, WK; *Public sector organizations:* AGC, AGM, AGNZ, AGQ; *Preparers:* QCA; *Member bodies and other professional organizations:* CPRB/SCAG, WPK

<sup>52</sup> *Regulator and oversight authorities:* CPAB, CSA CAC; *Accounting Firms:* CCW-UK; *Preparers:* QCA

<sup>53</sup> *NSS:* NZAuASB; *Accounting firms:* BT, CCW-UK, MNP, WK; *Member bodies and other professional organizations:* BICA, CPRB/SCAG, IMCP

<sup>54</sup> *Public sector organizations:* AGC, AGQ

<sup>55</sup> *Accounting firms:* BT, MNP; *Public sector organizations:* AGC, AGM, AGNZ, AGQ; *Member bodies and other professional organizations:* CPRB/SCAG, WPK

<sup>56</sup> *Regulators and oversight authorities:* CSA CAC; *Public sector organizations:* AGC, AGQ

<sup>57</sup> *Public sector organizations:* AGC, AGM, AGQ; *Individuals and others:* KPastakia

### *Suggestions Made for Improving the OI Section*

34. Certain respondents were of the view that the OI section in the ITC could be improved by:
- Placing the section after the illustrative section dealing with the auditor's responsibilities for the audit, since OI is not audited and the auditor's responsibilities for it are described separately.<sup>58</sup> Alternatively, one respondent<sup>59</sup> suggested that the statement with respect to the OI should be located adjacent to the auditor's opinion – as a basis for that opinion, rather than implying separate, additional responsibilities beyond the audit.
  - Identifying in the auditor's report whether the OI was available for review at the date of the auditor's opinion.<sup>60</sup>
  - Disclosing in the auditor's report misstatements of fact and their implications for the auditor's opinion.<sup>61</sup> One respondent<sup>62</sup> did not agree with the rationale expressed in the ITC for excluding material misstatements of fact from the discussion of the auditor's responsibility for OI, as consideration of material misstatements of fact is already required under extant ISA 720.
  - Clearly describing the nature and extent of the auditor's work, complemented by a statement about management's responsibilities for OI.<sup>63</sup> For example, a few respondents suggested a need to further clarify that the auditor has not reviewed the OI, and is not providing *any* assurance on such information.<sup>64</sup>

A number of editorial changes to the wording in the illustrative report to mitigate concerns about widening the expectations gap and appropriately describing the auditor's responsibilities for OI in the context of both the current and future scope of ISA 720 were noted.

### *Other Suggestions Made in Relation to OI*

35. A few investor and analyst respondents<sup>65</sup> were of the view that the proposed statements did not go far enough and indicated that assurance on the OI may be more meaningful. In support of this view, other respondents were of the view that further input should be solicited about whether assurance on OI would be beneficial to users.<sup>66</sup> This possibility was initially explored in the May 2011 CP with limited support. However, the PCAOB June 2011 Concept Release on auditor reporting and subsequent response from, among others, the U.S. Center for Audit Quality (CAQ)

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<sup>58</sup> *Accounting firms:* BDO

<sup>59</sup> *Accounting firms:* CCW-UK

<sup>60</sup> *Accounting firms:* PWC

<sup>61</sup> *NSS:* AUASB; *Regulators and oversight authorities:* IAIS

<sup>62</sup> *Accounting firms:* BDO

<sup>63</sup> *NSS:* NZAuASB; *Accounting firms:* MAZARS; *Public sector organizations:* AGC, AGQ

<sup>64</sup> *Regulators and oversight authorities:* IAIS; *NSS:* ASB; *Academics:* AAA

<sup>65</sup> *Investor and analysts:* IMA, NAPF, SLI; *Academics:* BMednick

<sup>66</sup> *Investor and analysts:* IMA, NAPF, SLI; *Regulators and oversight authorities:* CPAB, CSA CAC; *NSS:* ASB, CAASB, IDW, *Accounting firms:* BDO, GTI, KPMG, PWC; *Public sector organizations:* ACAG; *Preparers:* QCA; *Member bodies and other professional organizations:* ASSIREV, ICAS; *Academics:* UofW; *Individuals and others:* KPastaski

indicated that doing so, in particular with respect to critical accounting estimates, may be complementary to efforts to address demands for AC. However, one public sector respondent<sup>67</sup> cautioned against expanding the auditor's responsibilities beyond reading the OI under ISA 720.

*Reporting on OI in Conjunction with the IAASB's Project to Revise ISA 720*

36. There were a few respondents<sup>68</sup> that were of the view that it was premature for the IAASB to consider auditor reporting on OI in light of its project to revise ISA 720. It was further noted that the auditor's reporting responsibilities should be contemplated in conjunction with the feedback on ED-ISA 720. Additionally, there was a view that the effective dates of both ISAs should be the same.

*DT-700 Considerations for a Possible Way Forward for OI*

37. As noted in paragraphs 23–26, DT-700 intends to liaise with the ISA 720 TF to determine an appropriate way forward in light of responses received to ED-ISA 720, and will provide more detailed recommendations to the IAASB in due course.

**IV. Enhanced Descriptions of Responsibilities of Management, TCWG and the Auditor  
(Question 11 of the ITC)**

*Overall Support for Enhanced Descriptions of Responsibilities*

38. The table at Appendix 4 to this paper is intended to depict the level of support that key stakeholders across various geographic areas expressed about the enhanced descriptions of responsibilities of management, TCWG and the auditor in explaining the nature and scope of an audit. In numerical terms, a strong majority of respondents<sup>69</sup> (103 of the total 129 respondents who responded to Question 11) indicated that the enhanced descriptions that were included in the ITC illustrative auditor's report were useful to users' understanding the respective roles and responsibilities of management, TCWG, and the external auditor in the context of an ISA audit. The merits to these enhanced descriptions of responsibilities were cited as follows:

- With the introduction of new elements to the auditor's report (for example, AC), it is important to have a comprehensive description of the auditor's responsibilities to avoid unintended consequences of widening the expectations gap.<sup>70</sup>

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<sup>67</sup> *Public sector organizations:* BC

<sup>68</sup> *Regulators and oversight authorities:* CPAB, CSRC; *NSS:* JICPA; *Accounting firms:* EYG, PP; *Member bodies and other professional organizations:* EFAA

<sup>69</sup> *Investors and analysts:* CalPERS, EUMEDION, ICGN, IMA, NAPF, SLI; *TCWG:* ACGA, AICD, IIA, IBGC, OECD; *Regulators and oversight authorities:* AFRC, BCBS, CPAB, CSIPPC, CSRC, DFSA, HKFRC, IAIS, ICAC, JSE, MAOB; *NSS:* ASB, AUASB, CAASB, CICPA, CNCC-CSOEC, FAP, HKICPA, IDW, JICPA, MAASB, NBA, NZAuASB, UKFRC; *Accounting firms:* BDO, BT, CCW-UK, CH-AU/NZ, CHI, DT, EYG, GC, GTI, KI, MAZARS, PKF, PKF(UK), PP, PWC, RSM, SNG, TL; *Public sector organizations:* ACAG, AGC, AGQ, BC, CIPFA, CNAO, GAO, NAOS; *Preparers:* BE, CNRL, Gof100-A, Gof100-UK, PAIB, USCC; *Member bodies and other professional organizations:* ACCA, ASSIREVI, BICA, CAI, CalCPA, CAQ, CGAC, CPRB/SCAG, DNR, EFAA, FACPCE, FAR, FSR, IBR-IRE, ICAN, ICPAI, ICPAK, ICPAS, KICPA, MICPA, WPK, ZICA *Academics:* BCEM, HC, PGillis, UofW, VMassarygina; *Individuals and others:* CBarnard, DJuvenalMRejon, Flrungu, IChandra, RMahadevan, ROverweg, RRodil

<sup>70</sup> *Accounting firms:* EYG; *Member bodies and other professional organizations:* KICPA

- The additional information provided as part of the improved standardized material was a useful starting point to better educate users about the audit process.<sup>71</sup> In this regard, a few respondents encouraged the IAASB to further consider the need to educate users about audits (see paragraphs 70–73).
- Description of the auditor’s responsibilities in relation to specific matters (e.g., fraud, internal control, accounting policies and estimates, structure and content of the financial statements and disclosures) could be of great value for institutional investors.<sup>72</sup>

An excerpt from the illustrative report of the ITC is included at Appendix 1 of **Agenda Item 2-D**.

*Suggestions Made to Further Improve the Usefulness of the Expanded Description of the Auditor’s Responsibilities*

39. Notwithstanding the support for the expanded descriptions, it was noted that more could be done to make the standardized wording section of the auditor’s report more concise, but at the same time more informative and easier to understand. For example, it was suggested that the use of language such as “group” or “component” be avoided as these terms have specific meaning only to the auditor. Some respondents also offered editorial suggestions on the wording included in the ITC.
40. Also, suggestions were made from a few respondents, representing regulators and one accounting firm,<sup>73</sup> for the IAASB to explore alternate ways of further summarizing, organizing and presenting the standardized information so as to not distract attention from the auditor’s opinion. This concept was further supported by those who responded positively to the suggestion in the ITC that such material could potentially be permitted to be relocated to a website or an Appendix to the auditor’s report (see paragraph 53).
41. Additionally, there were several suggestions made to improve the Auditor’s Responsibility section by including:
  - An explanation about how the auditor responds to complex and subjective issues that are deemed to be heightened risks of material misstatement (e.g., significant risks).<sup>74</sup>
  - A sentence that states that “An audit of the financial statements does not assure the future viability of the entity, the efficiency or effectiveness with which management has conducted affairs of the entity, or entity compliance with laws and regulations.”<sup>75</sup>
  - If relevant, a brief description of any non-audit work undertaken within the audit period by the audit firm, such as preparation or attestation of tax submission, submission of grants, and deal introductions.<sup>76</sup>

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<sup>71</sup> NSS: NZAuASB; *Member bodies and other professional organizations*: BICA, CAQ, MICPA; *Individuals and others*: IChandra, KPastakia

<sup>72</sup> *Investors and analysts*: CalPERS, EUMEDION, ICGN

<sup>73</sup> *Regulators and oversight authorities*: BCBS, HKFRC, IAIS, IOSCO; *Accounting firms*: PWC

<sup>74</sup> *Accounting firms*: DTT

<sup>75</sup> NSS: IDW

<sup>76</sup> TCWG: ACGA

42. Though respondents were generally supportive of the inclusion of a statement concerning compliance with relevant ethical requirements, with respect to independence, one respondent<sup>77</sup> was of the view that it may be more appropriate for the auditor's report to explicitly state that the auditor is independent of the entity. Further, it was suggested that where a breach of an auditor independence provision of the International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants* has occurred, if objectivity was deemed not to be compromised, the auditor's report should indicate the occurrence and nature of the breach.

#### *Views on Description of Management's Responsibilities*

43. With respect to the description of the management's responsibilities, it was suggested that:
- Discussion of management's responsibilities for GC be repositioned in the GC section of the auditor's report,<sup>78</sup> a point noted in Agenda Item 6-B of the December 2012 IAASB meeting materials.
  - In certain jurisdictions, such as the UK, it is accepted practice for directors to include a description of management's responsibilities in the annual report, therefore it is unnecessary or inappropriate to repeat the discussion in the auditor's report.<sup>79</sup>

#### *Views on Description of the Responsibilities of TCWG*

44. Specific to the description of the responsibilities of TCWG, there were suggestions made<sup>80</sup> that the IAASB further consider the fact that there are jurisdiction and entity-type factors that are likely to impact the roles and responsibilities of TCWG. Accordingly, any requirements in a revised ISA 700 requiring a description of the responsibilities of TCWG should be sufficiently principles-based to accommodate these differences.

#### *Contrary Views about the Usefulness of the Enhanced Descriptions of Responsibilities of Management, TCWG and the Auditor*

45. There were many respondents<sup>81</sup> across all stakeholder groups who did not support the enhanced descriptions of responsibilities of management, TCWG and the auditor. There was a view shared by both regulators and oversight authorities<sup>82</sup> and investors and analysts<sup>83</sup> that the enhanced descriptions did not add much value. The suggested improvements were described as

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<sup>77</sup> Regulators and oversight authorities: IOSCO

<sup>78</sup> Regulators and oversight authorities: IAIS; NSS: ASB, IDW; Accounting firms: KPMG, PKF(UK), PWC; Member bodies and other professional organizations: FEE, ICAEW, WPK

<sup>79</sup> NSS: UKFRC; Preparers: BE; Member bodies and other professional organizations: FSR

<sup>80</sup> Accounting firms: PWC; NSS: UKFRC; Preparers: BE; Member bodies and other professional organizations: ICAI, Individuals and others: KPastakia

<sup>81</sup> Investors and analysts: ABI, BR, GCSPS, HEOS; Regulators and oversight authorities: EAIG, EBA, IRBA, IOSCO; Accounting firms: MNP, WK; Public sector organizations: AGA, AGNZ; Preparers: QCA; Member bodies and other professional organizations: CNDCEC, CPAA, FEE, ICAA, ICAEW, ICAP, ICPAU, KWT, NYSSCPA, SMPC, TK; Individuals and others: JKelly, KPastakia

<sup>82</sup> Regulators and oversight authorities: IOSCO

<sup>83</sup> Investors and analysts: ABI, HEOS

standardized, boilerplate language that did not add information specific to an individual entity. Certain respondents<sup>84</sup> who did not support having the enhanced descriptions of responsibilities in the auditor's report rather supported the idea of having this information relocated elsewhere and incorporated by reference in the auditor's report. A discussion of respondents' views on relocating the description of the auditor's responsibilities is included in Section V of this paper.

46. An academic respondent<sup>85</sup> indicated that surveys, experimental and protocol studies all suggest that enhanced descriptions of the responsibilities of management, TCWG, and the auditor are unlikely to be helpful in reducing the expectations or the information gaps and, given its length, the enhanced description of the auditor's responsibilities could have the unintended consequence of focusing users' attention away from other entity-specific information contained in the auditor's report. A similar view was expressed by a participant at the European roundtable in Brussels.
47. Other views about the enhanced description of responsibilities of management, TCWG and the auditor were that:
  - Extant ISA 700 sets forth appropriate language in its illustrative report to describe the responsibilities of management and the auditor. Thus, there was a lack of support for expanding those descriptions beyond what is currently required to be included in the auditor's report.
  - The concept of an audit cannot be fully summarized and explained in the auditor's report.
  - The expectations gap between what an audit does, and what some users think an audit is designed to do, could increase because the description of the auditor's responsibilities is significantly longer than that of management. This lack of balance may cause some users to think that the auditor has more responsibility for the financial statements than management.
  - Suggested language that was intended to clarify the auditor's responsibilities is too abstract and is not sufficiently engagement-specific. Thus, the enhanced descriptions deviated from making the auditor's report entity-specific and relevant, and the value of such enhancements was not seen.
  - Further consideration needs to be given to the length of the enhanced description, in particular as it relates to the balance of standardized versus entity-specific language in the auditor's report (for example, in auditor reports of small- and medium-sized entities (SMEs), which will not be required to include AC).

*DT-700 Considerations for a Possible Way Forward in Relation to the Descriptions of the Responsibilities of Management, TCWG and the Auditor*

48. DT-700 is of the view that the IAASB should continue to explore the concept of including enhanced descriptions of the respective responsibilities of management, TCWG, and the auditor in the illustrative auditor's report to be included as an Appendix in a revised ISA 700. Analysis of responses to the ITC indicates that concerns about the length of the enhanced descriptions, in

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<sup>84</sup> Investors and analysts: ABI, BR, GCSPS, HEOS; Regulators and oversight authorities: IOSCO

<sup>85</sup> Academics: BCEM

particular the description of the auditor's responsibilities, could be addressed by allowing the material to be included in an Appendix to the auditor's report or relocated to a website.

49. On an initial basis, DT-700 believes the following will be necessary in developing a revised ISA 700:
- Requirements for appropriate headings in the auditor's report to clearly indicate the responsibilities of management and TCWG, and the auditor.
  - An example auditor's report that would illustrate the IAASB's expectations of what matters should be addressed, and in what level of detail, and how the information should be organized.
    - In developing the wording to the illustrative auditor's report, further consideration may be necessary as to how the content of the description of the auditor's responsibilities could be further streamlined and further clarified to eliminate technical terms.
50. In considering how requirements for the description of the Auditor's Responsibility could be articulated, DT-700 evaluated a range of options to arrive at a possible way forward. First, DT-700 noted that extant ISA 700 is fairly prescriptive in that it requires the auditor to "describe an audit by stating that..." Unless law or regulation prescribes the form and content of the auditor's report, the application of these requirements results in the standardized language in the illustrative reports in extant ISA 700 appearing in all auditors' reports. On the other hand, DT-700 recognized there may also be merit in developing more principles-based requirements by simply indicating that the auditor's report had to describe key concepts in a manner consistent with the ISAs. However, DT-700 was of the view that this could result in an undesirable level of flexibility, and would likely result in numerous descriptions of an audit despite being carried out to the same standards.
51. DT-700 discussions indicated a preference for more prescriptive requirements; arising from the view that, if the IAASB believed the enhanced description of the auditor's responsibility had value, it should likely appear consistently across auditors' reports, in particular if such material could be presented in an Appendix to the auditor's report.
52. The following alternatives are therefore raised for the IAASB's further consideration in revising the requirements regarding the description of the auditor's responsibilities:
- Mandate the specific words to be used in the auditor's report to describe the auditor's responsibilities for the audit of the financial statements (i.e., DT-700's approach taken in paragraphs 37–39 of **Agenda Item 2-D**); or
  - Draft the requirements to describe the auditor's responsibilities for the audit of the financial statements in a manner that indicates the concepts or matters that should be addressed in as part of the description in a manner consistent with the ISAs but without mandating the specific words, although example language would be provided in an illustrative report.

#### **Matters for IAASB Consideration**

2. In light of the responses to the ITC relating to the enhanced descriptions of the responsibilities of management, TCWG, and the auditor, how should DT-700 proceed? For example:
- (a) Recognizing the challenges of doing so, should DT-700 seek to further refine the description

of the auditor's responsibility to be included in the illustrative report of the Auditor Reporting ED, in particular to consider suggestions from respondents noted in paragraphs 39–41?

- (b) In light of the wording presented at Appendix 1 of **Agenda Item 2-D**, does the IAASB support DT-700's recommendation that a more prescriptive approach to requirements to describe the auditor's responsibilities should be taken?

## V. Relocating the Description of the Auditor's Responsibility (Question 14 of the ITC)

### *Support for Relocating the Description of the Auditor's Responsibility*

53. The table at Appendix 5 to this paper is intended to depict the level of support for explicitly allowing standardized material describing auditor's responsibilities to be relocated to a website of an appropriate authority, or to an Appendix to the auditor's report. The majority of respondents who answered Question 14<sup>86</sup> supported the idea of having the IAASB explicitly allow standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority or to an Appendix. Those respondents suggested that relocating this standardized material was an appropriate way to deal with what was otherwise seen as a lengthy amount of standardized information in the auditor's report. It was further suggested that an appropriate body such as a professional body, NSS or audit oversight body should be responsible for maintaining this information on their website in a manner reflecting a balanced view of the responsibilities of the relevant parties.<sup>87</sup>
54. Specific to relocating the description of the auditor's responsibility to a website of an appropriate authority, certain respondents<sup>88</sup> indicated that auditing standards in the UK and Ireland already provide an option whereby auditors can make reference in their auditors' reports to the UKFRC [website](#), which hosts a description of the Scope of the Audit of Financial Statements. In their letter responding to the ITC, the UKFRC indicated that the objective of allowing auditors to make reference to such material (rather than requiring it to be directly included in the auditor's report) was to respond to the needs of investors and other users in their jurisdiction who expressed a desire to remove standardized language from UK auditors' reports. The UKFRC letter also notes that their recent outreach activity confirms that investors and other users welcome having less standardized information in auditor reports, and that approximately 50 percent of the larger accounting firms who issue auditor reports in the UK have chosen this option.

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<sup>86</sup> *Investors and analysts:* ABI, CalPERS, EUMEDION, HEOS, GCSPS, ICGN, IMA, NAPF, S&P; *TCWG:* OECD; *Regulators:* DFSA, EBA, ICAC, IRBA, IOSCO, JSE; *NSS:* CAASB, IDW, JICPA, NBA, NZAuASB, UKFRC; *Accounting firms:* BDO, CCW-UK, KI, KPMG, MNP, PP, PWC, WK; *Public sector organizations:* AGNZ, GAO, NAOS; *Preparers:* BE, Gof100-UK, QCA; *Member bodies and other professional organizations:* ACCA, CalCPA, CGAC, CNDCEC, CPAA, DNR, EFAA, FAR, FEE, FSR, IBR-IRE, ICAA, ICAEW, ICAN, ICAS, ICPAK, ICPAU, KICPA, KWT, NYSSCPA, ZICA; *Academics:* HC, UofW, VMassarygina; *Individuals and others:* CBarnard, DJuvenalMRejon, RMahadevan

<sup>87</sup> *Regulators and oversight authorities:* IOSCO

<sup>88</sup> *Investors and analysts:* ABI; *Accounting firms:* BT, CCW-UK; *Preparers:* Gof100-UK

55. Certain respondents were explicit about having standardized information be relocated to:
- *A website, as a way of keeping the auditor's report concise.* Respondents<sup>89</sup> who explicitly favored this option suggested that this approach facilitated having a more detailed and thus a more useful description of the responsibilities of those involved in the financial reporting process available to users.
  - *An Appendix to the auditor's report, rather than a website.* Some respondents<sup>90</sup> were of a view that this option would help assuage concerns about users not taking the time to go to a website to read the essential standardized information. Additionally, some respondents, in particular accounting firms, indicated that there are likely to be practical issues with placing material describing the auditor's responsibilities on a website (for example, who maintains the accuracy and completeness of the information, and how would users have continued and reliable access to the information on the website?).
56. Other views and suggestions with respect to the location of the description of the auditor's responsibilities were as follows:
- Auditors and TCWG (through appropriate discussions) should judge the extent of information to be included in the auditor's report, versus what could be relocated to a website, in order to best serve users' needs in the context of the specific engagement.<sup>91</sup>
  - If standardized information is relocated to a website, the auditor's report should include a reference that is prominent and clear to help users access this information easily.<sup>92</sup>

#### *Contrary Views about Relocating Description of Auditor's Responsibility*

57. However, many respondents,<sup>93</sup> in particular the global accounting firms, expressed a view that allowing the standardized information to be relocated to a website may diminish the relative importance of the information and may have the unintended consequence of widening the expectations gap as this information would likely not be read. Those respondents were of a strong view that it was necessary for users to read the complete auditor's report, including a description of the auditor's responsibilities, to comprehend fully the role of the auditor and the nature of the auditor's work.

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<sup>89</sup> *Investors and analysts:* BR, HEOS; *Preparers:* BE, Gof100-UK; *Accounting firms:* PP

<sup>90</sup> *Investors and analysts:* NAPF; *Regulators:* AFRC, IRBA; *Accounting Firms:* TL, NSS: AUASB, IDW, MAASB, *Public Sector Organizations:* AGC, AGNZ, AGQ, EFAA, GAO; *Member bodies and other professional organizations:* CGAC, MNP, NYSSCPA; *Academics:* VMassarygina; *Individuals and others:* Flrungu, RMahadevan

<sup>91</sup> *Member bodies and other professional organizations:* EFAA, FEE, SMPC

<sup>92</sup> *Regulators:* AFRC; *Accounting firms:* GTI, PWC; *NSS:* ASB, AUSAB; *Member bodies and other professional organizations:* ACCA, MNP

<sup>93</sup> *Investors and analysts:* BR; *Regulators:* CPAB, CSIPPC, CSRC, HKFRC, IAIS; *NSS:* ASB, AUASB, CICPA, CNCC-CSOEC, FAP, HKICPA, MAASB; *Accounting firms:* DTT, EYG, GC, GTI, KPMG, MAZARS, PKF, PKF(UK), RSM, SNG, TL; *Public sector organizations:* ACAG, AGA, AGC, AGQ, BC, CIPFA, CNAO; *Preparers:* CNRL, PAIB; *Member bodies and other professional organizations:* ASSIREVI, BICA, CAI, CPRB/SCAG, FACPCE, IBRACON, ICAN, ICPAI, ICPAS, IMCP, MICPA, SMPC, TK, WPK; *Individuals and others:* Flrungu, JKelly, KPastakia, ROverweg, RRodil

*Relocating the Description of Management's Responsibility*

58. Though the ITC did not solicit views about relocating the description of management's responsibilities, one respondent<sup>94</sup> indicated it would be inappropriate to do so because the description of management's responsibilities for preparing the financial statements and for internal control forms the premise of an ISA audit – that is, an ISA audit cannot be performed without these conditions and that it is important that users be made aware of this.

*DT-700 Considerations for a Possible Way Forward Relating to the Relocation of the Description of the Auditor's Responsibilities*

59. In light of the responses to the ITC, DT-700 believes that the revised ISA 700 should acknowledge that in all circumstances, auditors could be permitted to include the description of the auditor's responsibilities in an Appendix to the auditor's report. In addition, law, regulation or national auditing standards may permit the auditor to refer to the description of the auditor's responsibilities located on a website of an appropriate authority, rather than include such material in the auditor's report. DT-700 is of the view that appropriate safeguards must be put in place to respond to some of the concerns highlighted in paragraph 57, for example, by continuing to require a heading followed by a detailed reference to where the description of the auditor's responsibility can be located. In addition, application material could indicate that when this option is used, it is expected that:
- The content of the Appendix, or website, would address the matters included in the IAASB's illustrative auditor's report (as required by paragraph 39 of **Agenda Item 2-D**).
  - The website would be maintained by an appropriate body, such as a NSS regulator or oversight authority, rather than a firm.

**Matters for IAASB Consideration**

3. Does the IAASB support DT-700's recommendation that the auditor should be permitted to exclude material describing the auditor's responsibilities from the auditor's report? If so:
- (a) Does the IAASB agree that relocation to either an Appendix or a website is appropriate?
  - (b) Beyond requiring an explicit link to such material, what other safeguards, if any, should the IAASB put in place to ensure that allowing for such material to be excluded from the auditor's report does not result in users having a lesser understanding of the nature of an audit and the auditor's responsibilities?

**VI. Disclosing the Name of the Engagement Partner (Question 12 of the ITC)**

60. In support of the broader objective of making auditor reports, and the audit process, more transparent, the IAASB suggested in the ITC that the disclosure of the engagement partner's name be required in auditor reports of all entities. The ITC solicited views on the value and impediments of disclosing the name of the engagement partner in auditor reports.

<sup>94</sup> NSS: IDW

61. The table at Appendix 6 to this paper is intended to depict the level of support for disclosing the name of engagement partner in auditor reports. From an overall perspective, responses were mixed, as discussed further below. In addition, 41 respondents<sup>95</sup> (or 25 percent of the 165 respondents) did not respond to the question, while 7 respondents<sup>96</sup> expressed no particular views and were neutral to either approach. Non-respondents and those with no particular views accounted for nearly half of the respondents in the categories of investors and analysts, TCWG and regulators and oversight authorities.

#### *Support for Disclosing the Name of the Engagement Partner*

62. Many respondents,<sup>97</sup> in particular investors, and analysts, regulators and oversight authorities, and NSS, expressed general support for disclosure of the engagement partner's name in the auditor's report. As noted below, respondents from jurisdictions that were already disclosing the name of the engagement partner in their jurisdictions (such as the European Union (EU)) were mostly supportive of this proposal. The rationale provided for supporting this improvement included the following:
- Disclosing the name of the engagement partner improves transparency for users of the auditor's report.<sup>98</sup>
  - Disclosing the name of the engagement partner is believed to provide the engagement partner with a greater sense of personal responsibility and accountability, which respondents believe translates to improved audit quality.<sup>99</sup>

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<sup>95</sup> *Investors and analysts:* BR, EUMEDION, ICGN, JMahoney, S&P, SAAJ; *TCWG:* AICD, GSaucier, HICG, IBGC, KC; *Regulators and oversight authorities:* AFRC, CSA CAC, IOSCO; *Accounting firms:* CB, SRA, WBLI, *Public sector organizations:* CNAO, GAO, RD; *Preparers:* BP, CBI, MEDEF, VNO-NCW; *Member bodies and other professional organizations:* CIMA, ICAI, ICASL, IE, MIA, TK; *Academics:* BMednick, KJamal/SSunder, RMoroney; *Individuals and others:* ASaleem, IChandra, MAhmadi, RRodil, SGiang

<sup>96</sup> *Investors and analysts:* SLI; *Accounting firms:* KI, PKF(UK), WK; *Member bodies and other professional organizations:* MICPA, SMPC; *Individuals and others:* KPastakia

<sup>97</sup> *Investors and analysts:* ABI, CalPERS, GCSPS, HEOS, IMA, NAPF; *TCWG:* ACGA, OECD; *Regulators and oversight authorities:* BCBS, CPAB, CSIPPC, CSRC, DFSA, EAIG, EBA, HKFRC, IAIS, ICAC, IRBA, JSE, MAOB, WB; *NSS:* AUASB, CICPA, CNCC-CSOEC, FAP, HKICPA, IDW, JICPA, MAASB, NBA, UKFRC; *Accounting firms:* BT, CCW-UK, MAZARS, PP, SNG; *Public sector organizations:* ACAG, AGC, AGNZ, AGQ, CIPFA, NAOS; *Preparers:* BE, Gof100-A, Gof100-UK, QCA; *Member bodies and other professional organizations:* ASSIREVI, CAI, CGAC, CNDCEC, CPAA, CPRB/SCAG, DNR, FACPCE, FAR, FEE, FSR, IBR-IRE, IBRACON, ICAA, ICAEW, ICAP, ICAS, ICPAI, ICPAS, ICPAU, IMCP, KWT, NCFPAAROC, OROC, WPK, ZICA; *Academics:* AAA, BCEM, JCarcello, UofW, VMassarygina; *Individuals and others:* CBarnard, DJuvenal/MRejon, Flrungu, JKelly, RMahadevan, ROverweg

<sup>98</sup> *Investors and analysts:* ABI; *Regulators and oversight authorities:* CSRC, DFSA, HKFRC, IAIS, JSE; *NSS:* MAASB; *Accounting firms:* MAZARS; *Public sector organizations:* NAOS; *Member bodies and other professional organizations:* CGAC, CPAA, IMCP, ZICA; *Academics:* AAA, BCEM, UofW; *Individuals and others:* CBarnard, DJuvenal/MRejon

<sup>99</sup> *Investors and analysts:* ABI, CalPERS, HEOS, IMA, *Regulators and oversight authorities:* BCBS, CSRC, DFSA, EAIG, HKFRC, IAIS, ICAC, IRBA, JSE, *NSS:* FAP, MAASB, UKFRC; *Accounting firms:* MAZARS, SNG; *Public sector organizations:* NAOS; *Preparers:* Gof100-UK; *Member bodies and other professional organizations:* ASSIREVI, CPAA, DNR, FACPCE, NCFPAAROC, ZICA; *Academics:* AAA, BCEM, UofW, VMassarygina; *Individuals and others:* CBarnard, Flrungu, JKelly, ROverweg

- Because disclosure is already required or customary in Australia, Brazil, China, the EU, India, Japan, Malaysia, Mexico, Pakistan, Russia, Singapore, South Africa, Taiwan, Thailand and possibly other jurisdictions, respondents were of the view that the value of disclosure outweighed any impediments.<sup>100</sup>

#### *Contrary Views about Disclosing the Name of the Engagement Partner*

63. In contrast, there were a number of respondents,<sup>101</sup> mainly accounting firms (14 of the 19 who responded to the question); some NSS (3 of the 13 who responded to the question), and member bodies and other professional organizations (16 of the 41 who responded to the question), who were not convinced of the value of disclosure of the engagement partner's name in the auditor's report. In particular:

- TCWG, NSS and accounting firm respondents were of the view that, due to differing legal environments in each jurisdiction, it should be optional and would be better left to NSS to decide.<sup>102</sup> This view was also expressed at all three of the IAASB's roundtables on auditor reporting.
- There was also a view that having the engagement partner's name in the auditor's report instead of just the firm's name may be perceived as a reduction in the responsibility of the firm.<sup>103</sup>
- A number of respondents, including the CAQ, suggested that having the engagement partner's name disclosed in the auditor's report may result in actual or perceptions of increased legal liability exposure for the engagement partner.<sup>104</sup>
- Further, there were two preparer respondents<sup>105</sup> who expressed concern that threats of increased liability exposure could result in increased audit fees.

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<sup>100</sup> *Investors and analysts:* GCSPS, IMA; *Regulators and oversight authorities:* IRBA, JSE; *NSS:* AUASB, CICPA, CNCC-CSOEC, FAP, IDW, JICPA, MAASB, NBA, UKFRC; *Accounting firms:* MAZARS, PP; *Public sector organizations:* AGNZ, NAOS; *Preparers:* Gof100-UK, QCA; *Member bodies and other professional organizations:* CAI, CPAA, DNR, FAR, FEE, FSR, IBR-IRE, ICAA, ICAEW, ICAP, ICAS, ICPAS, KWT, NFCPAAROC, OROC, WPK; *Academics:* AAA, UofW, VMassarygina

<sup>101</sup> *TCWG:* IIA; *NSS:* ASB, CAASB, NZAuASB; *Accounting firms:* BDO, CCW-UK, CHI, CH-AU/NZ, DTT, EYG, GC, GTI, KPMG, MNP, PKF, PWC, RSM, TL; *Public sector organizations:* AGA, AGM, BC; *Preparers:* CNRL, PAIB, USCC; *Member bodies and other professional organizations:* ACCA, BICA, CalCPA, CAQ, CIMA, EFAA, ICAI, ICAN, ICASL, ICPAK, IE, KICPA, MIA, NASBA, NYSSCPA, TK; *Academics:* HC, PGillis; *Individuals and others:* JHodge/ZMurray

<sup>102</sup> *TCWG:* IIA; *NSS:* ASB, NZAuASB; *Accounting firms:* BDO, CHI, CH-AU/NZ, DTT, EYG, GTI, KPMG, PWC, RSM; *Member bodies and other professional organizations:* CAQ, ICPAK, KICPA, NASBA

<sup>103</sup> *Accounting firms:* KPMG, MNP; *Public sector organizations:* AGA; *Member bodies and other professional organizations:* EFAA, NYSSCPA

<sup>104</sup> *NSS:* CAASB, *Accounting firms:* KPMG, MNP; *Preparers:* CNRL, PAIB; *Member bodies and other professional organizations:* CAQ, EFAA

<sup>105</sup> *Preparers:* CNRL, PAIB

*PCAOB Proposed Rule Relating to Identification of Engagement Partner*

64. Reasons both in support of, and against (in particular due to the liability regime in the US), disclosure of the engagement partner name are similar to those raised in response to the PCAOB October 11, 2011 [proposed rule](#) to require registered public accounting firms to disclose the name of the engagement partner in auditors' reports for listed entities in the US.
65. The 2011 PCAOB proposed rule, a follow up to its 2009 [Concept Release](#) on the topic, would require the name of the engagement partner to be disclosed in auditor reports, but would not require the engagement partner's signature. In its press release to the proposed rule, the PCAOB notes that the approach would meet the potential public interest transparency benefits while mitigating concerns raised by commenters on its 2009 Concept Release that an engagement partner signature requirement would minimize the firm's role in conducting the audit.
66. The PCAOB proposed rule related to disclosing the engagement partner's name is consistent with the suggested improvement in the ITC. Specifically, the PCAOB proposed requirement to have a statement in its auditor's reports that reads "The engagement partner responsible for the audit resulting in this report was [name]."
67. In its [current standard setting agenda](#), the PCAOB Office of the Chief Auditor has indicated that its staff has analyzed the comments received on its proposed standard and is drafting revisions for PCAOB members' consideration. It intends to decide whether to adopt or re-propose its proposals relating to the identification of the engagement partner's name in the auditor's report in the first half of 2013.

*DT-700 Considerations for a Possible Way Forward Relating to Disclosing the Name of the Engagement Partner*

68. DT-700 acknowledged, for many jurisdictions, that the naming of the engagement partner is already required in the auditor's report and that there was a strong public interest argument for having such a requirement in the ISAs, as explained in paragraph 62. There was a view that, because many jurisdictions already have law and regulation that require the disclosure of the engagement partner's name in auditor reports, such a change in the ISAs would not be a change in practice for most jurisdictions. In addition, regulators and NSS have the option to require such disclosure if considered necessary. For jurisdictions where the name is not required, DT-700 acknowledged the legitimate concerns related to liability raised by certain stakeholder groups in jurisdictions that are not in favor of a requirement for the engagement partner's name to be disclosed in the auditor's report, in particular the US. In the US, while investors and regulators were supportive of the proposed requirement, auditors were of the view that the impediments in relation to potential auditor liability outweighed the perceived benefits of providing such a disclosure. A number of respondents to the PCAOB's proposed rule (see paragraph 65) suggested that, as an alternative, a possible option for consideration could be to have the engagement partner's name be made publicly available to users through a medium other than the auditor's report.
69. Convinced by the public interest argument for the name of the engagement partner to be available in the public domain, DT-700 concluded that, for listed entities, the engagement partner's name should be available to the users of the financial statements and the auditor's report through some public mechanism; if otherwise unavailable publicly, disclosure would be

required in the auditor's report. Limiting the requirement to listed entities was thought appropriate as calls for such naming largely have come from institutional investors. Also, for many non-listed entities, including SMEs, the engagement partner's name is already available or known to the users of the financial statements through other means, albeit informal in many circumstances. A possible manner in which this could be done is included in paragraph 42 of **Agenda Item 2-D**.

**Matter for IAASB Consideration**

4. In light of the responses to the ITC, what are the IAASB's views in relation to DT-700's suggestion relating to public disclosure of the engagement partner's name for listed entities?

**VII. Need for User Education about Audits**

70. A few respondents to the ITC encouraged the IAASB to continue efforts aimed at narrowing the expectations gap, including educating users about what an audit is and what an audit is not.<sup>106</sup> Suggestions were made for the IAASB to:
- Liaise with International Accounting Standards Board (IASB), International Federation of Accountants (IFAC) and other legislators and regulators to improve and expand public disclosures about the responsibilities of management and TCWG, as they collectively have primary responsibility for the financial statements.
  - Determine a minimum threshold of standardized information about the audit to include in auditor reports (i.e., within the description of the auditor's responsibilities), but continue to develop supplemental material of an educative nature to be disseminated to users.
71. However, as a number of respondents<sup>107</sup> explicitly pointed out, the IAASB may not be best positioned to develop education and information materials aimed at narrowing the expectation gap. The IAASB was of a similar view in previous discussions. However, these respondents were of the view that the Board may be in a position to influence certain groups who are in a position to educate users by communicating to them the improvements likely to arise from the IAASB's auditor reporting project. Those groups include professional bodies, NSS, audit oversight authorities, securities regulators, accounting standard setters, and investors and other user representative bodies. There are also a number of organizations (such as the [International Forum for Investor Education](#) (IFIE); [Institutional Investor Education Foundation](#) (IIEF); [US Securities and Exchange Commission](#) (US SEC); and [CAQ](#)) with missions that are aimed at educating investors and users about financial reporting and audit matters with whom the IAASB could liaise.
72. DT acknowledged the views of respondents to the ITC about the need to supplement the IAASB's work on revising the auditor reporting standards with educating users about the audit more broadly. DT-700 is of the view that the activity of educating users presents particular challenges and, while some initiatives, for example, the preparation of an accompanying video or auditor

<sup>106</sup> Accounting firms: EYG, KPMG; Public sector organizations: AGA; Member bodies and other professional organizations: ACCA, ASSIREVI, FSR, IBR-IRE, ICPAS, MNP; Academics: UofW

<sup>107</sup> Accounting firms: EYG, KPMG; Public sector organizations: AGA; Member bodies and other professional organizations: IBR-IRE; Academics: UofW

reporting module, would be well within the IAASB's capabilities, wider educational initiatives could be difficult to do at an international level.

73. However, the TF, DT-700 and DT-707 acknowledged that the IAASB should remain cognizant of the need to communicate, at both the ED stage and when the final auditing standards are approved, about how it had taken the diverse views into account in formulating its auditor reporting proposals. It would also be useful for the IAASB to communicate with organizations focused on investor education, as well as firms and NSS, about the key changes to auditor reporting and the IAASB's views as to the value of the suggested improvements, so that these messages can be promulgated on a broader basis by those who have direct access to different types of investors and users on a national basis.

## Appendix 1

(Ref: Para. 1)

### List of Respondents to the ITC

#	Abbrev.	Respondent (165)	Region
<b>Investors and Analysts (13)</b>			
1.	ABI	Association of British Insurers	EU
2.	BR	BlackRock, Inc (Investment Manager)	GLOBAL
3.	CalPERS	California Public Employees' Retirement System	NA
4.	EUMEDION	Eumedion (Dutch Institutional Investors)	EU
5.	GCSPS	Group of credit solution providers in Sweden namely Bisnode, Credit Safe, AB Syna, and UC	EU
6.	HEOS	Hermes Equity Ownership Services	GLOBAL
7.	ICGN	International Corporate Governance Network	GLOBAL
8.	IMA	Investment Management Association	GLOBAL
9.	JMahoney	Jeff Mahoney (Member of various US and International Investor groups)	NA
10.	NAPF	National Association of Pension Funds	EU
11.	S&P	Standard & Poor's Credit Market Services	GLOBAL
12.	SAAJ	Securities Analysts Association of Japan	AP
13.	SLI	Standard Life Investments	GLOBAL
<b>Those Charged with Governance (8)</b>			
14.	ACGA	Asian Corporate Governance Association	AP
15.	AICD	Australian Institute of Company Directors	AP
16.	GSaucier	Guylaine Saucier (Audit committee member of several companies)	NA
17.	HICG	Hawkamah Institute for Corporate Governance (Dubai)	MEA
18.	IBGC	Institute Brasileiro de Governanca Corporativa	SA
19.	IIA	Institute of Internal Auditors	GLOBAL
20.	KC	King Committee on Corporate Governance in South Africa	MEA
21.	OECD	Organisation for Economic Co-operation and Development	GLOBAL

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#	Abbrev.	Respondent (165)	Region
<b>Regulators and Oversight Authorities (17)</b>			
22.	AFRC	Australian Financial Reporting Council	AP
23.	BCBS	Basel Committee on Banking Supervision	GLOBAL
24.	CSA CAC	Canadian Securities Administrators Chief Accountants Committee	NA
25.	CPAB	Canadian Public Accountability Board	NA
26.	CSIPPC	Public Interest Oversight Body of Accounting Profession – Department of Cooperation and European and International Relations (Consiliul pentru Supravegherea în Interes Public a Profesiei Contabile ) [Audit Oversight Body in Romania]	EU
27.	CSRC	China Securities Regulatory Commission	AP
28.	DFSA	Dubai Financial Services Authority	MEA
29.	EAIG	European Audit Inspection Group (15 European Audit Regulators) <sup>108</sup>	EU
30.	EBA	European Banking Authority	EU
31.	HKFRC	Financial Reporting Council - Hong Kong	AP
32.	IAIS	International Association of Insurance Supervisors	GLOBAL
33.	ICAC	Ministerio de Economía y Competitividad (Instituto de Contabilidad y Auditoria de Cuentas) [Ministry of Economics and Competitiveness (Institute of Accounting and Audit)]	EU
34.	IOSCO	International Organization of Securities Commissions	GLOBAL
35.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
36.	JSE	Johannesburg Stock Exchange	MEA
37.	MAOB	Securities Commission of Malaysia - Audit Oversight Board	AP
38.	WB	World Bank	GLOBAL

<sup>108</sup> Audit Public Oversight Council (Czech Republic); Auditors Activities Oversight Council (Estonia); Haut Conseil du Commissariat aux Comptes (France); AbschlussPrüferAufsichtskommission (Germany); Irish Auditing & Accounting Supervisory Authority (Ireland); Authority of Audit and Accounting (Lithuania); Commission du Surveillance du Secteur Financier (Luxembourg), Accountancy Board (Malta); Netherlands Authority for the Financial Markets (Netherlands); Finanstilsynet (Norway); Conselho Nacional de Supervisão de Auditoria (Portugal); Agency for Public Oversight of Auditing (Slovenia); Instituto de Contabilidad y Auditoria de Cuentas (Spain); Revisorsnämnden (Sweden); Eidgenössische Revisionsaufsichtsbehörde (Switzerland)

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#	Abbrev.	Respondent (165)	Region
<b>National Auditing Standard Setters (13)</b>			
39.	ASB	American Institute of Certified Public Accountants' Auditing Standards Board	NA
40.	AUASB	Australian Auditing and Assurance Standards Board	AP
41.	CAASB	Canadian Auditing and Assurance Standards Board	NA
42.	CICPA	Chinese Institute of Certified Public Accountants	AP
43.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Superieur de l'Ordre des Experts-Comptables	EU
44.	FAP	Federation of Accounting Professions of Thailand	AP
45.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
46.	IDW	Institut der Wirtschaftsprufer	EU
47.	JICPA	Japanese Institute of Certified Public Accountants	AP
48.	MAASB	Auditing and Assurance Standards Board of Malaysian Institute of Accountants	AP
49.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
50.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
51.	UKFRC	Financial Reporting Council – UK	EU
<b>Accounting Firms (24)<sup>109</sup></b>			
52.	BDO*	BDO International Limited	GLOBAL
53.	BT*	Baker Tilly (UK)	EU
54.	CB	Collins Barrow (CA Association)	NA
55.	CCW – UK	Crowe Clark Whitehill LLP (UK)	EU
56.	CH – AU/NZ	Crowe Horwath (Australia and New Zealand)	AP
57.	CHI*	Crowe Horwath International	GLOBAL
58.	DTT*	Deloitte Touche Tohmatsu Limited	GLOBAL
59.	EYG*	Ernst & Young Global Limited	GLOBAL
60.	GC	Gaviller & Company LLP (Canada)	NA
61.	GTI*	Grant Thornton International Ltd	GLOBAL
62.	KI*	Kreston International	NA
63.	KPMG*	KPMG IFRG Limited (Network)	GLOBAL
64.	MAZARS*	Mazars (France)	GLOBAL

<sup>109</sup> Forum of Firms members are indicated with a \*. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

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#	Abbrev.	Respondent (165)	Region
65.	MNP	MNP LLP - formerly Meyers Norris Penny (Canada)	NA
66.	PKF <sup>*</sup>	PKF International Limited	GLOBAL
67.	PKF(UK)	PKF (UK) LLP (UK)	EU
68.	PP	Pitcher Partners (Australia)	AP
69.	PWC <sup>*</sup>	PricewaterhouseCoopers International Limited	GLOBAL
70.	RSM <sup>*</sup>	RSM International	GLOBAL
71.	SNG	Sizwe Ntsaluba Gobodo (South Africa)	MEA
72.	SRA	SRA (Netherlands Network)	EU
73.	TL	Taylor Leibow (Canada)	NA
74.	WBLI	WBLI Chartered Accountants (Canada)	NA
75.	WK	Westworth Kemp Consultants (Australia)	AP
<b>Public Sector Organizations (12)</b>			
76.	ACAG	Australasian Council of Auditors-General	AP
77.	AGA	Auditor General Alberta	NA
78.	AGC	Auditor General Canada	NA
79.	AGM	Auditor General Manitoba	NA
80.	AGNZ	Auditor General New Zealand	AP
81.	AGQ	Auditor General of Quebec	NA
82.	BC	British Columbia – Ministry of Finance (Office of Comptroller General))	NA
83.	CIPFA	Chartered Institute of Public Finance & Accountancy	GLOBAL
84.	CNAO	National Audit Office (China)	AP
85.	GAO	United States Government Accountability Office	NA
86.	NAOS	National Audit Office (Sweden)	EU
87.	RD	Rigsrevusionen (Denmark Auditor General)	EU
<b>Preparers of Financial Statements (11)</b>			
88.	BE	BUSINESSEUROPE	EU
89.	BP	British Petroleum	EU
90.	CBI	Confederation of British Industry - UK	EU
91.	CNRL	Canadian Natural Resources Limited	NA
92.	Gof100-A	Group of 100 (Australia)	AP
93.	Gof100-UK	The Hundred Group of Finance Directors (UK)	EU
94.	MEDEF	Mouvement des Entreprises de France (Movement of the Enterprises of France)	EU

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#	Abbrev.	Respondent (165)	Region
95.	PAIB	IFAC Professional Accountants in Business Committee	GLOBAL
96.	QCA	Quoted Companies Alliance	EU
97.	USCC	US Chamber of Commerce – Center for Capital Market	NA
98.	VNO-NCW	Confederation of Netherlands Industry and Employers (Financial Reporting Policy Committee)	EU
<b>Member Bodies and Other Professional Organizations (44)</b>			
99.	ACCA	Association of Chartered Certified Accountants	GLOBAL
100.	ASSIREVI	Associazione Italiana Revisori Contabili (Association of the Italian Auditors)	EU
101.	BICA	Botswana Institute of Chartered Accountants	MEA
102.	CAI	Chartered Accountants Ireland – Audit and Assurance Committee	EU
103.	CalCPA	California Society of Certified Public Accountants	NA
104.	CAQ	Center for Audit Quality	NA
105.	CGAC	Certified General Accountants Association of Canada	NA
106.	CIMA	Chartered Institute of Management Accountants	EU
107.	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti	EU
108.	CPAA	CPA Australia	AP
109.	CPRB/SCAG	Canadian Institute of Chartered Accountants Canadian Performance Reporting Board – Small Company Advisory Group	NA
110.	DNR	Den norske Revisorforening (DNR) – Norwegian Institute of Public Accountants	EU
111.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
112.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professionals Councils of Economic Sciences)	SA
113.	FAR	FAR (Institute for the Accountancy Profession in Sweden)	EU
114.	FEE	Fédération des Experts comptables Européens - Federation of European Accountants	EU
115.	FSR	Foreningen af Statsautoriserede Revisorer (Danish Institute of Accountants)	EU
116.	IBR-IRE	Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises	EU
117.	IBRACON	Instituto dos Auditores Independentes do Brasil	SA
118.	ICAA	Institute of Chartered Accountant of Australia	AP
119.	ICAEW	Institute of Chartered Accountants in England and Wales	EU

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#	Abbrev.	Respondent (165)	Region
120.	ICAI	Institute of Chartered Accountant of India	AP
121.	ICAN	Institute of Chartered Accountants of Nigeria	MEA
122.	ICAP	Institute of Chartered Accountants of Pakistan	AP
123.	ICAS	Institute of Chartered Accountants of Scotland	EU
124.	ICASL	Institute of Chartered Accountants of Sri Lanka	AP
125.	ICPAI	Institute of Certified Public Accountants in Ireland	EU
126.	ICPAK	Institute of Certified Public Accountants of Kenya	MEA
127.	ICPAS	Institute of Certified Public Accountants of Singapore	AP
128.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
129.	IE	Insurance Europe	EU
130.	IMCP	Instituto Mexicano de Contadores Públicos, A.C. (Mexican Institute of Public Accountants)	NA
131.	KICPA	Korean Institute of Certified Public Accountants	AP
132.	KWT	Kammer der Wirtschaftstreuhänder (Chamber of Public Accountants – Austria)	EU
133.	MIA	Malta Institute of Accountants	EU
134.	MICPA	Malaysian Institute of Certified Public Accountants	AP
135.	NASBA	National Association of State Boards of Accountancy	NA
136.	NFCPAAROC	National Federation of Certified Public Accountant Associations of the Republic of China	AP
137.	NYSSCPA	New York State Society of Certified Public Accountants	NA
138.	OROC	Ordem dos Revisores Oficiais de Contas	EU
139.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
140.	TK	Treuhand-Kammer (Swiss Institute of Certified Accountants)	EU
141.	WPK	Wirtschaftsprüferkammer (German Public Accountants MB)	EU
142.	ZICA	Zambia Institute of Chartered Accountants	MEA
<b>Academics (10)</b>			
143.	AAA	American Accounting Association - Auditing Standards Committee of the Auditing Section	NA
144.	BCEM	Jean Bédard (Université Laval), Paul Coram (University of Melbourne), Reza Espahbodi (Washburn University) and Theodore J. Mock (University of California, Riverside)	NA
145.	BMednick	Bob Mednick (former AICPA Chairman)	NA
146.	HC	Joseph A. Maffia (Hunter College Advanced Auditing Class at the Graduate School)	NA

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#	Abbrev.	Respondent (165)	Region
147.	JCarcello	Joseph V. Carcello (University of Tennessee)	NA
148.	KJamal SSunder	Karim Jamal (University of Alberta) and Shyam Sunder (Yale University)	NA
149.	PGillis	Paul Gillis (Peking University)	AP
150.	RMoroney	Robyn Moroney (Monash University)	AP
151.	UofW	University of the Witwatersrand (Auditing Masters class)	MEA
152.	VMassarygina	Vera F. Massarygina PhD (Baker Tilly Moscow)	EU
<b>Individuals and Others (13)</b>			
153.	ASaleem	Adeel Saleem	AP
154.	CBarnard	Chris Barnard	EU
155.	DJuvenal MRejon	Denise Juvenal and Manuel Rejon	SA
156.	Flrungu	Felicitas Irungu	MEA
157.	Ichandra	Ishwar Chandra	AP
158.	JHodge ZMurray	John Hodge and Zowie Murray	AP
159.	JKelly	John Kelly	NA
160.	KPastakia	Khurshed Pastakia	AP
161.	MAhmadi	Mansour Shams Ahmadi	MEA
162.	RMahadevan	Ramachandran Mahadevan	AP
163.	ROverweg	Richard Overweg	EU
164.	RRodil	Ricardo Julio Rodil	SA
165.	SGiang	Sovann Giang	AP

## Appendix 2

(Ref: Para. 5)

### Views about Disclosing the Involvement of Other Auditors (Question 13 of the ITC)

**Note:** The following table is intended to depict the level of support for requiring disclosure about the involvement of OA, both on an overall basis and from a geographic perspective. Green indicates support for the concept, yellow indicates mixed views (including balancing support and lack of support from individual respondents within the category), and red indicates an overall lack of support for the concept. Blank boxes indicate no respondents fell into that particular category. The overall category is intended to be a summary of all regions. It is important to note that approximately 29 percent of the respondents to the ITC did not answer the question.

It is intended to provide a directional steer on this issue and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. The views of other respondents, (academics, public sector organizations, member bodies and other professional organizations, and individuals and others) are included in the main paper.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
Overall	Green	Yellow	Yellow	Yellow	Red	Red	Yellow
Organizations with a Global Mandate	Green	Yellow	White	Red	White	Yellow	Red
Asia Pacific	White	Green	Red	White	Red	White	Green
Europe	Green	Red	Yellow	Green	Red	Red	Yellow
Middle East and Africa	White	Yellow	White	White	Red	White	White
North America	Green	Yellow	Yellow	Green	Red	White	Green
South America	White	White	White	White	White	White	White

### Appendix 3

(Ref: Para. 29)

#### Views about an Explicit Statement about Other Information in the Auditor’s Report (Question 10 of the ITC)

**Note:** The following table is intended to depict the level of support for including an explicit statement about other information in the auditor’s report, both on an overall basis and from a geographic perspective. It is intended to provide a directional steer on the issue and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. The views of other respondents (academics, public sector organizations, member bodies and other professional organizations, and individuals and others) are included in the main paper. It is important to note that approximately 30 percent of the respondents to the ITC did not answer the question.

Green indicates support for the concept, yellow indicates mixed views (including balancing support and lack of support from individual respondents within the category), and red indicates an overall lack of support for the concept. Blank boxes indicate no respondents fell into that particular category. The overall category is intended to be a summary of all regions.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
<b>Overall</b>	Green	Green	Green	Green	Yellow	Green	Green
<b>Organizations with a Global Mandate</b>	Green	Green	White	Green	White	Green	Green
<b>Asia Pacific</b>	Green	Green	Green	White	Red	Green	White
<b>Europe</b>	Green	Green	Green	Red	Yellow	White	Green
<b>Middle East and Africa</b>	White	Green	White	White	Green	White	White
<b>North America</b>	Green	Green	Green	White	Green	White	White
<b>South America</b>	White	White	White	White	White	White	White

## Appendix 4

(Ref: Para. 38)

### Views about the Enhanced Descriptions of the Responsibilities of Management, TCWG, and the Auditor (Question 11 of the ITC)

**Note:** The following table is intended to depict the level of support that key stakeholders across various geographic areas expressed about the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in explaining the nature and scope of an audit. It is intended to provide a directional steer on this issue and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. The views of other respondents (academics, public sector organizations, member bodies and other professional organizations, and individuals and others) are included in the main paper. It is important to note that approximately 22 percent of the respondents to the ITC did not answer the question.

Green indicates support for the concept, yellow indicates mixed views (including balancing support and lack of support from individual respondents within the category), and red indicates an overall lack of support for the concept. Blank boxes indicate no respondents fell into that particular category. The overall category is intended to be a summary of all regions.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
<b>Overall</b>	Yellow	Yellow	Green	Green	Yellow	Green	Yellow
<b>Global</b>	Yellow	Yellow	White	Green	White	Green	Green
<b>Asia Pacific</b>	White	Green	Green	White	Yellow	Green	White
<b>Europe</b>	Yellow	Yellow	Green	Green	Green	White	Yellow
<b>Middle East and Africa</b>	White	Yellow	White	White	Green	White	White
<b>North America</b>	Green	Green	Green	White	Yellow	White	Green
<b>South America</b>	White	White	White	White	White	Green	White

**Appendix 5**

(Ref: Para. 53)

**Views about Allowing Standardized Material Describing the Auditor’s Responsibilities to be Relocated (Question 14 of the ITC)**

**Note:** The following table is intended to depict the level of support for explicitly allowing standardized material describing auditor’s responsibilities to be relocated to a website of an appropriate authority, or to an appendix. It is intended to provide a directional steer on this issue and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. The views of other respondents (academics, public sector organizations, member bodies and other professional organizations, and individuals and others) are included in the main paper. It is important to note that approximately 26 percent of the respondents to the ITC did not answer the question.

Green indicates support for the concept, yellow indicates mixed views (including balancing support and lack of support from individual respondents within the category), and red indicates an overall lack of support for the concept. Blank boxes indicate no respondents fell into that particular category. The overall category is intended to be a summary of all regions.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
<b>Overall</b>	Green	Yellow	Yellow	Red	Yellow	Yellow	Yellow
<b>Global</b>	Green	Yellow	White	Red	Yellow	Yellow	Red
<b>Asia Pacific</b>	White	Red	Red	White	Green	White	White
<b>Europe</b>	Green	Yellow	Yellow	Yellow	White	White	Green
<b>Middle East and Africa</b>	White	Green	White	White	Red	White	White
<b>North America</b>	Green	Red	Yellow	White	Yellow	White	Yellow
<b>South America</b>	White	White	White	White	White	White	White

## Appendix 6

(Ref: Para. 61)

### Views about Disclosing the Name of the Engagement Partner in Auditor Reports (Question 12 of the ITC)

**Note:** The following table is intended to depict the level of support for disclosing the name of the engagement partner in the auditor's report, both on an overall basis and from a geographic perspective. It is intended to provide a directional steer on the issue and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. The views of other respondents (academics, public sector organizations, member bodies and other professional organizations, and individuals and others) are included in the main paper. It is important to note that approximately 25 percent of the respondents to the ITC did not answer the question.

Green indicates support for the concept, yellow indicates mixed views (including balancing support and lack of support from individual respondents within the category), and red indicates an overall lack of support for the concept. Blank boxes indicate no respondents fell into that particular category. The overall category is intended to be a summary of all regions.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
<b>Overall</b>	Green	Green	Green	Red	Yellow	Yellow	Yellow
<b>Organizations with a Global Mandate</b>	Green	Green	White	Red	White	Yellow	Red
<b>Asia Pacific</b>	White	Green	Green	White	Yellow	Green	Green
<b>Europe</b>	Green	Green	Green	Green	Green	White	Green
<b>Middle East and Africa</b>	White	Green	White	White	Green	White	White
<b>North America</b>	Green	Green	Red	White	Red	White	Red
<b>South America</b>	White	White	White	White	White	White	White