

Meeting: IAASB Consultative Advisory Group
Meeting Location: New York
Meeting Date: April 8–9, 2013

Agenda Item **B.1**

Auditor Reporting—Summary of IAASB Discussions through February 2013

Objectives of Agenda Item

1. To provide a report back on proposals of the Representatives on this project as discussed at the September 2012 CAG Meeting.
2. To provide a high-level summary of responses to the June 2012 Invitation to Comment (ITC), *Improving the Auditor's Report*.
3. To provide an overview of significant IAASB discussions to date and highlight matters to be considered by the CAG at its April 2013 meeting.

Project Status and Timeline

4. Appendix 1 to this paper provides a history of previous discussions with the CAG on this topic, including links to the relevant CAG documentation. In June 2012, the IAASB approved the ITC on auditor reporting, included as a CAG reference paper to this agenda item. The comment period for the ITC closed on October 8, 2012. In addition, three roundtables were held to solicit feedback on the IAASB's suggested improvements to auditor reporting described in the ITC – New York (September 10), Brussels (September 14) and Kuala Lumpur (October 8). Nearly all of the CAG Representatives participated in a roundtable, and CAG Member Organizations (MOs) were also asked to submit formal comments in response to the ITC.
5. The IAASB held three meetings since the issuance of the ITC (September 2012, December 2012 and February 2013) to advance its thinking in relation to responses to the ITC and begin developing proposed new and revised auditor reporting standards, including revisions to ISA 700.¹ The IAASB continues to reaffirm its commitment to approving an exposure draft (ED) of these standards at its June 2013 meeting.
6. This paper is being provided to facilitate advance discussion within CAG MOs. More detailed agenda material is expected to be made available to the CAG by March 29, 2013 at the latest. This timing takes into account the need for sufficient time for staff and the Auditor Reporting Drafting Teams to prepare materials for discussion at the April CAG and IAASB meetings, in particular the accelerated development of new and revised auditor reporting standards.
7. The CAG will have an opportunity to respond to questions posed on significant matters and, where appropriate, proposed wording in the auditor reporting standards at its April 2013 meeting. It is anticipated that a revised illustrative auditor's report will be of particular interest to CAG

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

Representatives and their MOs. The CAG discussions are likely to focus on how the suggested improvements to auditor reporting can be operationalized. Within this paper, reference is made to key areas where CAG input will be sought at the April 2013 meeting.

8. The Drafting Teams also intend to hold a teleconference with the CAG Working Group on auditor reporting in May or June 2013 in advance of the planned approval of the ED.

September 2012 CAG Discussion

9. Below are extracts from the draft minutes of the September 2012 CAG meeting,² and an indication of how the project Task Force (TF) or IAASB has responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
Mr. Kuramochi supported the IAASB's initiative to particularly seek investor views on the auditor reporting <i>Invitation to Comment</i> (ITC). He also supported outreach activities to investors for other IAASB projects.	Support noted.
Mr. James asked whether the IAASB was confident that it was reaching out to the right mix of investors including, for example, non-institutional investors.	Mr. Gunn commented that the IAASB is taking into account research from the International Association of Accounting Education and Research, aimed at soliciting views of non-institutional investors. Mr. Gunn added that as part of its outreach program, the IAASB is exploring ways to further identify the viewpoints of non-institutional investors, in particular the views of buy side and sell side analysts and retail investors.
Mr. Waldron asked how the IAASB's timeline for the Auditor Reporting project aligns with the [US Public Company Accounting Oversight Board] PCAOB anticipated timeline.	Mr. Gunn responded that the IAASB has had communication with PCAOB at Board and Staff levels leading up to the ITC, and that the PCAOB is aiming for a proposed standard in Q1, 2013. ³ Prof. Schilder added that the discussions with the PCAOB were valuable and the relationship was open for further interaction.
Mr. Koktvedgaard complimented Staff on their significant efforts to bring together a diverse group of stakeholders and with varying backgrounds.	Support noted.

² The minutes will be approved at the April 2013 IAASB CAG meeting.

³ At its November 2012 Standing Advisory Group meeting, the PCAOB indicated it had revised its expected timeline for proposals relating to the auditor reporting model to the first half of 2013.

Overview of Responses to the ITC

10. A total of 165 responses to the ITC were received, including 12 responses from CAG MOs.⁴ All responses can be accessed from the IAASB’s website at: <http://www.ifac.org/publications-resources/improving-auditor-s-report>. The respondents to the ITC comprised the following:

Category of Respondent	No.	Percentage
Investors and Analysts	13	8%
Those Charged with Governance (TCWG)	8	5%
Regulators and Oversight Authorities	17	11%
National Standard Setters (NSS)	13	8%
Accounting Firms	24	15%
Public Sector Organizations	12	7%
Preparers	11	7%
Member Bodies and Other Professional Organizations	44	27%
Academics	10	6%
Individuals and Others	13	8%
Total	165	100%

11. Important to note is that a number of respondents, in particular NSS, conducted additional outreach with a wide range of stakeholders to inform their response through meetings, roundtables, interviews and surveys. These groups sought to obtain views of investors and other users at the national level as a basis for their responses.
12. The IAASB also received a relatively balanced level of geographic representation as follows:

Region	No.	Percentage
Organizations with a Global Mandate	26	16%
Asia Pacific	38	23%
Europe	47	29%
Middle East and Africa	12	7%
North America	37	22%
South America	5	3%
Total	165	100%

13. At its December 2012 and February 2013 meetings, the IAASB considered detailed narratives analyzing comments from the 165 respondents, which are included as CAG Reference Papers. The color-coded tables included in Appendices 2–10 often referred to as “heat maps”, were also included in the IAASB’s agenda material. These heat maps are intended to give a directional steer on key issues and have been focused on those stakeholders that are primary participants in the financial reporting supply chain. The IAASB was of the view that this approach was suitable for purposes of simplifying a large amount of data and provided useful insight into the balance of responses across key stakeholder groups.

⁴ BCBS, BE, DFSA, EFAA, FEE, IAIS, ICGN, IIA, IOSCO, JSE, OECD, WB

Suggested Improvements in the ITC

Auditor Commentary

14. The ITC suggested that the auditor could include additional information in the auditor's report to highlight matters that are, in the auditor's judgment, likely to be most important to users' understanding of the audited financial statements or the audit, referred to as "Auditor Commentary." The ITC also indicated this information would be required for public interest entities (PIEs) – which includes, at a minimum, listed entities – and could be provided at the discretion of the auditor for other entities.
15. The three roundtables and many responses received on the ITC all acknowledge a need for the auditor to provide more information to enhance the value of the auditor's report, though diverse views continue to exist as to the objective, nature and extent of AC that can and should be provided. Appendix 2 illustrates respondents' overall views as to whether the concept of AC is an appropriate response to user demands.
16. While the ITC acknowledged that calls for AC initially came from institutional investors, it is increasingly clear that other types of investors, as well as regulators and oversight bodies, would find value in the auditor providing additional information in the auditor's report. In addition, a majority of accounting firms that responded to the ITC indicated support for the broad concept of AC and offered suggestions on how such a concept should best be operationalized. For example:
 - All but one investor respondent supported the concept as explained in the ITC, although diverse views exist in terms of what AC should cover and the usefulness of the examples in the ITC. This respondent was concerned that more information in the auditor's report opens up the possibility of different interpretation – in their view, tailored information does not support comparison across entities in a standardized and formulaic fashion, and investors, funders and regulators can routinely obtain additional information directly from management.
 - It was explicitly noted during the roundtables and other outreach that the IAASB's work to enhance auditor reporting provides a unique opportunity to reinvigorate the public's trust and confidence in the independent auditor and increase the relevance of the audit. Investors rely on a vigorous external audit to strengthen the veracity and quality of financial reporting. Regulatory and investor respondents were of the view that AC as contemplated in the ITC would provide users with a good sense of how auditors fulfilled their professional responsibilities and would add value to the pass/fail opinion. These respondents seemed to be viewing AC as a means for understanding the quality of the underlying audit performed, recognizing that highlighting what the auditor considered to be key matters in planning and performing the audit provides a view on the most important aspects of the financial statements, due to the risk-based nature of an ISA audit. While the ITC noted the demands from investors to assist them in navigating increasingly complex financial statements, responses to the ITC indicate the value and focus of AC is likely more useful as a response to demands for auditors to provide greater transparency about audits performed in light of the role of the audit in enhancing the credibility of financial reporting.
17. A majority of respondents supported the concept of AC, echoing the benefits explained in the ITC. A few public sector respondents noted the similarities between AC and supplemental reporting by many Supreme Audit Institutions (SAI) to governments.

18. However, many respondents raised concerns about the potential implications of AC if not mitigated by the IAASB through appropriate standard-setting activities and language in the auditor's report. The primary concern of the majority of respondents across all stakeholder groups and geographic regions about AC as described in the ITC was that it may blur the roles and responsibilities of management, the auditor and TCWG, especially if the auditor is seen as providing original information about the entity. Many respondents explicitly cited the need to retain the auditor's independent, objective assurance role and responsibilities.
19. Many respondents did not support the concept of AC, including some NSS, TCWG representatives and member bodies and other professional organizations. These respondents were of the view that AC:
 - May detract from the auditor's clear pass/fail opinion or call it into question;
 - Should not undermine the objective of the audit or users' ability to understand that the opinion is on the financial statements as a whole;
 - May be misinterpreted by users as "piecemeal" opinions or "soft qualifications";
 - May be used by auditors inappropriately to avoid modifying an opinion or as a substitute for disclosures that management should make; and
 - Could increase the expectations gap.
20. On the whole, no preparers supported the concept of AC as described in the ITC, because they were of the view that the auditor is not equipped to make business judgments about, or "tell the story" of, the entity, and it is the role of management to highlight matters that are important to users, a point supported by other respondents. One preparer, however, was of the view that in order to respond to calls for auditors to enhance the value of their reports, auditors could include more in the Auditor's Responsibility section of the auditor's report, highlighting the significant risks identified in the individual audit. Respondents who supported AC, in particular regulators, offered a contrasting view, suggesting that management's disclosures would be enhanced by the dialogue that would result between management, TCWG and the auditor as a result of the auditor being required to include AC and possibly making reference to specific disclosures, a point also made by the European Commission (EC) representative at the Brussels roundtable.
21. Regional and smaller accounting firms who did not support AC were primarily concerned that the costs of including AC outweighed the benefits to their clients. These respondents reiterated the IAASB's acknowledgment in the ITC that users of small- and medium-sized entities' (SME) and not-for-profits' financial statements may obtain information directly from management. A few firm respondents explicitly noted that implementing the concept of AC and possibly other suggested improvements may make audits inaccessible for some entities due to their cost, leading them to instead opt for a review engagement if not otherwise required to have an audit.
22. From a geographic perspective, there appeared to be a concentrated lack of support from Canadian respondents of all stakeholder groups, with the exception of one regulatory respondent. The ITC highlighted that the global financial crisis has spurred users, in particular institutional investors and financial analysts, to want to know more about individual audits and to gain further insights into the audited entity and its financial statements. It was suggested by a few respondents that Canada had not been exposed to the effects of the global financial crisis to the extent that

other countries or regions had been and that Canadian stakeholders were not calling for an expanded auditor's report, having recently acclimated to the adoption of ISAs.

23. There were mixed views on whether AC should be required for PIEs, listed entities only, all entities, or some other category of entities. Responses on the applicability of AC to specific entities were directly influenced by respondents' views as to the objective of AC (i.e., whether it should address the financial statements, the audit, or both). Of note are the following views:
- Concerns about extending the requirement to include AC to PIEs were consistent with the difficulties outlined in the ITC (i.e., a lack of a globally accepted definition on PIEs, the implications for smaller PIEs, etc.)
 - The EC's proposed definition of PIEs may be too broad – it may be preferable to focus on entities of systemic importance, in particular banks.
 - Consideration needs to be given whether public sector entities are seen to, or should, be included in the definition of PIEs, as these entities often have separate long-form reporting requirements that may achieve the objective of AC.
 - Having different forms of the auditor's report for different types of entities could lead users to draw inappropriate conclusions about the relative quality of the financial statements and goes against the concept that "an audit is an audit." AC could be designed to be sufficiently scalable so as to be required for all entities.
 - There is recognition that requiring AC could be done in phases (i.e., for listed entities first) and after a post-implementation review, the IAASB could decide whether to extent the requirement to other entities or allow NSS to determine whether to do so.

IAASB Discussions

At its December 2012 meeting, the IAASB agreed to continue to pursue the concept of "Auditor Commentary", and suggested on an initial basis that it should be required only for listed entities, recognizing that a post-implementation review may be a useful means to inform the IAASB about whether wider application of requirements for AC would be appropriate.

The Objective and Focus of AC

24. The ITC included the following as a possible objective of AC:

The objective of AC is to highlight matters that are, in the auditor's judgment, likely to be most important to users' understanding of the audited financial statements or the audit.

25. While respondents generally acknowledged the need for the IAASB to respond to calls for change in auditor reporting, fundamental questions have been raised across all stakeholder groups about the appropriateness of the auditor providing additional information in the auditor's report, particularly about the financial statements and the entity. A majority of respondents across all stakeholder groups were concerned about the auditor providing "original information" about the entity and the financial statements in AC, consistent with the IAASB's position in the ITC that it is necessary to preserve the separate roles of the auditor, management and TCWG. Many

respondents explicitly noted that TCWG had a significant role to play in improving financial reporting, through a strengthened oversight role as well as enhanced reporting responsibilities. This was particularly noted in responses from the European region, where the UK Financial Reporting Council (UKFRC) has put in place proposals with respect to company stewardship, and in the context of the EC's proposals on long-form reporting to audit committees of PIEs. A few respondents also felt the auditor may be better focused on enhancing discussion with TCWG as they would be more likely to be "audit literate", rather than reporting externally, and referenced the EC's recent proposals to enhance reporting to TCWG as a possible basis for strengthening ISA 260⁵ in relation to discussion of relevant matters about the audit, including the auditor's views on management's judgments.

26. There are also differing views as to what users' responsibilities are as consumers of the financial statements. A few respondents cited the underlying premise in the accounting and auditing standards that users are expected to be knowledgeable people who bear personal responsibility to be financially literate about both financial reporting frameworks and the nature and scope of an audit. However, other respondents felt that users were actually unlikely to have a minimum competence in the field of auditing to interpret meaningfully and accurately any additional information in the auditor's report describing the auditor's approach to assessed risks. These and many other respondents highlighted the need for separate educational efforts either in lieu of, or as a supplement to, changes to the auditor's report, and explicitly noted that post-implementation efforts would be needed to ensure that all stakeholders understand the objectives and purpose of the changes so that the expectations gap was not inadvertently widened. It was suggested that NSS and professional accountancy bodies, as well as regulators and academics, had a role to play in this regard.
27. Many respondents also highlighted the challenges of general purpose financial reporting (which is designed to meet the needs of a broad set of users rather than the demands of any particular group) with the view that no one other than users themselves can determine which areas are "most important". Users, which was noted to be a wider group than investors, have identified a wide range of differences in information needs, driven largely by the region, regulatory environment and industry in which the entities they are interested in operate.
28. A key question therefore is whether it is appropriate and possible for AC to achieve the dual objective as explained in the ITC, or whether the IAASB should explore alternatives to meet the diverse needs of these stakeholders, bearing in mind the impediments that were identified by the IAASB in the ITC and confirmed by respondents. Appendix 3 provides an illustration of the diversity of views on key matters relating to AC, in particular views from respondents as to whether the focus should be on the financial statements or the audit, based on Staff's analysis of all the questions in the ITC. Previous TF and IAASB discussions indicated the likely overlap between areas of significant management judgment (resulting in disclosures in the financial statements) and "matters of audit significance," in particular matters of significant auditor judgment, due to the risk-based nature of an ISA audit. This overlap was seen in the responses to the ITC, as respondents were not explicitly asked, and did not necessarily comment specifically on, whether the objective of AC

⁵ ISA 260, *Communication with Those Charged with Governance*

should focus on matters in the financial statements or matters about the audit (or both).

29. There continues to be diversity of views in terms of what AC is intended to achieve, which is based in part on differing needs of different types of investors and other users, the availability of this information via other means, and the financial reporting framework applied by the entity. There is also a widely acknowledged need for any proposals relating to AC to preserve the roles of management, TCWG and the auditor.

IAASB Discussions

At its December 2012 meeting, the IAASB agreed that a focus on key audit areas and significant auditor judgment may be a useful way forward to respond to concerns from all stakeholders that the auditor should not provide original information about an entity. The IAASB also asked the TF to consider whether a different title than “Auditor Commentary” would be appropriate in light of a revised objective.

At its February 2013 meeting, the IAASB agreed a revised objective of the auditor for purposes of determining additional information to be included in the auditor’s report, as follows: “The objective of the auditor, having formed an opinion on the financial statements, is to communicate in the auditor’s report those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements.”

The objective would be included in a proposed new ISA, tentatively labeled ISA 701.

The IAASB noted that the revised objective is not intended to signal a shift away from significant matters in the financial statements. Rather, it is intended to articulate a focus in the auditor’s thought process of selecting matters to report based on the audit performed, with reference to the disclosures in the financial statements as appropriate, thereby enhancing users’ understanding of the entity based on insights from further information about the audit.

The IAASB also agreed that this additional information should be presented as a separate section of the auditor’s report under the heading *Key Audit Matters*. Among other things, CAG input will be sought on the proposed objective of new ISA 701 and the presentation of key audit matters in the auditor’s report.

Support for AC Based on Professional Judgment with Appropriate Guidance

30. The majority of respondents across all stakeholder groups, including all investors who supported the concept of AC, were of the view that matters to be addressed in AC should be left to the judgment of the auditor, with guidance in the standards to inform the auditor’s judgment, for the reasons explained in the ITC, in particular that:

- Too much prescription and standardization will diminish the effectiveness of AC – only by being judgment-based can it bridge the information gap and add value to the auditor’s report.
- Prescription without allowing for auditor judgment risked AC being incomplete, in particular if an auditor did not discuss a significant matter because it was not expressly required.

But respondents also acknowledged there was a need for sufficient guidance to ensure that the auditor’s decision-making process is robust and diversity in judgments is limited.

31. Many respondents believed AC generally should be rooted in the concept of significant risks and other matters communicated to TCWG, and supported the matters described in paragraph 45 of the

ITC.⁶ One respondent who supported AC focusing on matters that are most important to users' understanding of the audit recognized that a byproduct of doing so is that such an approach helps users understand the audited financial statements. A few respondents were of the view that, within AC a description of the overall audit approach in relation to identified risks would be meaningful to investors.

IAASB Discussions

At its December 2012 meeting, the IAASB asked the TF to further consider robust criteria to guide auditor judgments about what matters to include in AC and the level of detail that should be provided, taking into account the support from many ITC respondents for the IAASB to explore using significant risks as the starting point for AC.

At its February 2013 meeting, the IAASB considered proposed criteria in the form of draft requirements for AC. The IAASB noted the following matters for further consideration:

- How proposed ISA 701 should best reflect the IAASB's view that the auditor's judgment of what to report externally is derived from what had been communicated with TCWG, and whether any clarifications are needed to the requirements or guidance in ISA 260.
- Whether the initial list of factors intended to guide the auditor's decision-making process in relation to external reporting could be further streamlined.
- Whether a proposed requirement for the auditor to include a statement in the auditor's report when no matters for external reporting had been identified is appropriate.
- How the introductory language in the illustrative example of the new section in the auditor's report could be drafted to clearly explain to users that the matters discussed in the auditor's report are not intended to be a comprehensive list of all matters discussed with those charged with governance.

The IAASB intends to consider a full draft of ISA 701, including illustrative examples of key audit matters, at its April 2013 meeting. Among other matters, CAG input will be sought on the criteria to be applied by the auditor in considering which of the matters communicated with TCWG should be included in the auditor's report, and the nature and extent of such communication.

⁶ Paragraph 45 of the ITC suggested that auditors could consider the following, at a minimum, in determining which matters to include in AC:

- Areas of significant management judgment (e.g., in relation to the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures);
- Significant or unusual transactions (e.g., significant related party transactions or restatements); and
- Matters of audit significance, including areas of significant auditor judgment in conducting the audit, for example:
 - Difficult or contentious matters noted during the audit, or other audit matters that would typically be discussed with an engagement quality control reviewer or TCWG; and
 - Other issues of significant related to the audit scope or strategy.

Respondents' views on disclosure of the involvement of other auditors are included in Appendix 4. The IAASB has not yet concluded on whether such a disclosure would be appropriate as a Key Audit Matter or in another form.

Going Concern (GC)

32. The ITC suggested the auditor could report on GC through: (i) a conclusion on the appropriateness of management's use of the GC assumption in preparing the financial statements and an explicit statement as to whether material uncertainties in relation to GC have been identified.
33. Overall, the majority of respondents supported the IAASB's initiative to explore changes that address auditor reporting on GC. While the ITC suggestions to include statements in the auditor's report about the GC assumption and material uncertainties were acknowledged as interrelated, differing views were received on these respective statements. Appendix 5 provides an illustration of the diversity of views on key matters relating to GC. These are explained in more detail below. A general caveat in many of the responses on the topic of reporting on GC, including those that were supportive of (or at least not uncomfortable with) the ITC suggested improvements, was the importance of also looking at the issue more holistically.

Statement on the Appropriateness of Management's Use of the GC Assumption

34. A majority of respondents expressed general support for auditors making an explicit statement about the appropriateness of management's use of the GC assumption. This included support from many investor and regulator respondents, as well as from some NSS and firms. In particular, it was noted that:
 - The statement provides useful and informative information.
 - Transparency and the communicative value of auditor's report are improved, as the statement would essentially make explicit what is already required under the auditing standards.
 - It has the benefit of increasing the robustness of the auditor's challenging of management's assumptions in this area.
35. In contrast, there were many respondents who were not convinced of the value of such reporting. It was noted that the statement would have limited informational value because it only states explicitly what is already implicit. Further, in virtually all circumstances, it would in essence be standardized reporting.
36. In particular, a few respondents expressed considerable concern such as the following:
 - The language of that conclusion in the ITC reflects the language of ISA 570⁷ but it is highly "coded";
 - Many readers of financial statements and related audit reports will be unaware that there are very few circumstances where it is inappropriate under accounting standards for this statement to be made; and
 - Making this statement may lead investors and other users of financial statements to conclude that an auditor is asserting that an entity is viable when this is not, in fact, the case.
37. In this regard, there is an extremely high threshold for departing from the GC basis of accounting. In

⁷ ISA 570, *Going Concern*

light of this, the point has been strongly made that there is relatively little value in this conclusion; it will often remain true even when the entity is experiencing significant financial or economic distress, including when the directors and auditors have reported that there are material uncertainties. Further, a natural reading of the text might imply that it is reasonable to assume the entity is solvent and will be able to meet its liabilities as they fall due when this may not be the case.

38. A few respondents, who generally supported the suggested statement, nevertheless acknowledged that the proposals may not work in all jurisdictions. It was recommended that any required statement be sufficiently flexible to accommodate other reporting models besides International Financial Reporting Standards (IFRSs), in particular when management may not have an explicit responsibility to make an assessment about GC – and in such situations, it was not seen as appropriate for the auditors to make a statement about the appropriateness of the use of the GC assumption.
39. Further, irrespective of whether the respondents were generally supportive, many acknowledged and emphasized the need for, or importance of, a more holistic approach to addressing GC in financial reporting.

Statement Whether Any Material Uncertainties Have Been Identified

40. From an overall perspective, responses were mixed regarding a statement by the auditor about whether any material uncertainties relating to GC were identified. Some respondents were of the clear view that the proposal makes sense, whereas others expressed concern (some strongly) with the proposals. Several respondents put forward suggestions for refinement in the proposals, or alternative treatment within other areas of the new auditor reporting model.
41. From those respondents who supported this proposal, it was noted in particular that the statement would be helpful and informative to such users. Most of these respondents did not articulate specifically the nature of the added value that would be derived, except noting that, in light of the global financial crisis, investors would welcome some assurance that the auditor is satisfied, and has robustly challenged management and directors on whether they have exercised due care in undertaking their GC assessment, and that the assumptions are reasonable.
42. In contrast, many more respondents were of a view that it was not appropriate for the auditor to make such a statement. The following was noted:
 - Management and TCWG should be the original source of information, a point strongly echoed in responses about AC. As such, a statement by auditors would go beyond what is currently required of management. The roles and responsibilities of management, TCWG and the auditor should be preserved. Accordingly, the auditor should not be required to report on material uncertainties (or the GC assumption) unless management has done so.
 - Impediments would likely include higher litigation risks for auditors.
 - It adds more standardized information to the auditor's report that is likely to "cloud" the auditor's opinion or can be perceived as an "audit qualification".
43. It was also noted that the proposal has the potential to decrease the value of the current reporting model – "which provides meaningful information in extreme circumstances, usually around going concern issues" – and may undermine the importance of the signal / red flag that the Emphasis of

Matter (EOM) model achieves. The general sense was that the present ISA 570 already achieves what the ITC is trying to accomplish.

44. In relation to impediments, it was anticipated that there will likely be an indirect increase in audit costs as auditors seek to reduce the expanded audit risk, such as an inappropriate statement on GC immediately preceding a bankruptcy or other business failure.
45. In addition, consistent with comments on the inclusion of a statement regarding the GC assumption, there were concerns over risks of user misinterpretation of terms such as “GC” and “material uncertainties.” This concern exists despite the fact that some auditors are prepared to make the suggested statements because they reflect work performed. Many respondents suggested the need for clarification of this and related terminology by accounting standard setters.

IAASB Discussions

In July 2012, IAASB Chairman Prof. Arnold Schilder wrote to International Accounting Standards Board (IASB) Chairman Hans Hoogervorst to request that the International Financial Reporting Interpretations Committee (IFRIC) consider clarifying the disclosure requirements about the assessment of GC in IAS 1⁸ as a matter of urgency. IAASB representatives and staff subsequently met with senior IASB staff via teleconference to discuss the issues outlined above.

IAS 1 requires that when management is aware of material uncertainties about the entity’s ability to continue as a GC, those uncertainties shall be disclosed. The IAASB suggested further guidance on these disclosures would be helpful, in particular in relation to when an entity should be required to disclose this information; what the objective of that disclosure is; and what disclosures should be required.

With input from the IAASB representatives, IASB staff developed a paper summarizing the issues for purpose of the IASB’s outreach to NSS, securities regulators and the larger audit firms to obtain an assessment as to whether there is diversity in practice in relation to the application of the requirements of IFRSs regarding GC. IFRIC added the topic to its agenda and has recommended to the IASB that an exposure draft of limited amendments to IAS 1 be issued in the near future.

At its December 2012 meeting, the IAASB agreed to continue to explore auditor reporting on GC, recognizing the importance that certain stakeholders (e.g., the EC) attach to having explicit statements in the auditor’s report relating to GC.

At its February 2013 meeting, the IAASB received an update about work underway by the IASB and the US Financial Accounting Standards Board (FASB) relating to GC. The ISA 700 Drafting Team is further considering how this work may affect the nature and timing of the IAASB’s proposals and whether reporting on GC should be required for all entities, or whether an approach based on the importance of GC considerations to the individual entity would be preferable. The ISA 700 Drafting Team will make recommendations for the IAASB’s considerations at its April 2013 meeting. CAG input will be sought on the ISA 700 Drafting Team’s recommendations.

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

Other Information (OI)

46. The ITC suggested the auditor's report could include a statement as to whether any material inconsistencies between the audited financial statements and OI have been identified based on the auditor's reading of OI, and specific identification of the information read by the auditor.
47. The IAASB currently has a project underway to revise ISA 720⁹ to enhance the auditor's work effort with respect to 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 ED of proposed revised ISA 720 (ED-ISA 720).¹⁰ 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.
48. The table at Appendix 6 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 were supportive of including an explicit statement in the auditor's report in relation to OI, while a few respondents did not support explicit statements in the auditor's report, as discussed further below. There were 48 respondents (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.
49. 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.
 - 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.
 - Making explicit statements about OI is reflective of existing practice and as such the value of such disclosure should outweigh any impediments. For example, because reporting on OI is already required in certain jurisdictions, such as Ireland, Italy, Malaysia, Netherlands, Portugal, Romania, South Africa, Sweden, the UK, and possibly other jurisdictions, respondents were of the view that the proposal will not pose any significant impediments.
50. However, some respondents who were supportive of including a statement in the auditor's report

⁹ ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

¹⁰ 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*

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. 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 cautioned that this may not fully mitigate that risk and may create further confusion about the auditor's work effort, and a few respondents did not believe any such conclusion was appropriate.

IAASB Discussions

At its February 2013 meeting, the IAASB supported inclusion of an explicit statement in the auditor's report with respect to OI. In this regard, the IAASB acknowledged the need to take into account feedback from respondents to ED-ISA 720, which is expected to be discussed at the June 2013 IAASB meeting.

The IAASB noted the importance of signaling in the ED of proposed ISA 700 (Revised) that reporting on OI will be required, but intends to further consider whether to either include in the illustrative auditor's report the updated wording included in ED-ISA 720 or a placeholder to signal that the wording would be finalized when ED-ISA 720 was approved as a final standard. 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.

Disclosure of the Name of the Engagement Partner

51. 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.
52. The table at Appendix 7 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 (or 25 percent of the 165 respondents) did not respond to the question, while 7 respondents 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.
53. Many respondents, 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.
 - 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.

- 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.
54. In contrast, there were a number of respondents, 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. 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 firm's responsibility.
 - A number of respondents, including the US Center for Audit Quality (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.
 - Further, there were two preparer respondents who expressed concern that threats of increased liability exposure could result in increased audit fees.
55. 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 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.¹¹

IAASB Discussions

At its February 2013 meeting, the IAASB explored an alternative that the engagement partner's name should be made publicly available for listed entities, either through disclosure in the auditor's report or by some other means. The IAASB noted that further study is needed before concluding on whether the IAASB should require disclosure in all circumstances. The ISA 700 Drafting Team will make recommendations for the IAASB's considerations at its April 2013 meeting. CAG input will be sought on the ISA 700 Drafting Team's recommendations.

¹¹ 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. It is important to note, however, that this proposal is not part of the PCAOB's auditor reporting project and may not follow the same timeline.

Enhanced Description of the Responsibilities of Management, TCWG, and the Auditor, and the Potential Relocation of Material Describing the Auditor's Responsibility

56. Enhanced descriptions of the responsibilities of management, TWCG, and the auditor were included in the ITC. The table at Appendix 8 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 (103 of the total 129 respondents who responded) 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.
 - The additional information provided as part of the improved standardized material was a useful starting point to better educate users about the audit process.
 - 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.
57. In addition to editorial changes, suggestions were made from a few respondents, representing regulators and one accounting firm, 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, discussed further below.
58. Though respondents were generally supportive of the inclusion of a statement concerning compliance with relevant ethical requirements, with respect to independence, one respondent 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 the 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.
59. Specific to the description of the responsibilities of TCWG, there were suggestions made 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, the requirements in a revised ISA 700 requiring a description of the responsibilities of TCWG should be sufficiently principles-based to accommodate these differences.
60. However, there were many respondents 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 and investors and analysts that the enhanced descriptions did not add much value. The suggested improvements were described as

standardized, boilerplate language that did not add information specific to an individual entity. Certain respondents 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, as discussed further below.

61. An academic respondent 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.
62. 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 auditors' reports of SMEs, which will not be required to include AC).

Relocating the Description of the Auditor's Responsibility

63. The table at Appendix 9 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 this question in the ITC 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.

64. Specific to relocating the description of the auditor's responsibility to a website of an appropriate authority, certain respondents 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.
65. Certain respondents were explicit about having standardized information be relocated to:
- *A website, as a way of keeping the auditor's report concise.* Respondents 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 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?).
66. 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.
 - 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.
67. However, many respondents, 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.

IAASB Discussions

At its February 2013 meeting, the IAASB supported specifying the text to be used in the auditor's report to describe the auditor's responsibilities for the audit of the financial statements, using the enhanced description in the ITC. To address concerns about the length of this standardized material, the IAASB agreed that auditors could be permitted to include this material in an appendix to the auditor's report. The IAASB also acknowledged that law, regulation or national auditing standards may explicitly permit the auditor to exclude this material from the auditor's report and instead refer to a website of an appropriate authority. The ISA 700 Drafting Team will refine proposed requirements in ISA 700 (Revised) to operationalize the relocation of the material. CAG input will be sought on the appropriateness of allowing the auditor's responsibilities to be described outside the main body of the report and how this may be done, both from the perspective of the format of the auditor's report and the underlying requirements and guidance in the standard.

Other Matters

68. The IAASB is continuing to explore matters related to the balance between consistency and relevance in auditor reporting, also recognizing that law or regulation may prescribe the form and content of the auditor's report. Appendix 10 illustrates respondents' views on the desire for consistency in auditor reporting when ISAs are used.
69. The IAASB is also further developing its "Building Blocks" approach and will be considering how to ensure that a revised auditor reporting standard can be applied by SMEs and public sector auditors.

IAASB Discussions

While agreeing not to mandate the ordering of elements within the auditor's report, the IAASB continues to support prominent placement of the opinion and entity-specific material in the auditor's reports and has continued to present the illustrative auditor's report in this manner.

In relation to the "Building Blocks" approach, at its December 2012 meeting, the IAASB confirmed that the design of extant ISA 700, which allows flexibility when law or regulation prescribes the form and content of the auditor's report, should be retained. Nevertheless, amongst other matters, the IAASB is further exploring how requirements for the auditor's report, including the use of titles, subtitles and headings, could achieve an appropriate balance between consistency and relevance.

CAG input will be sought on the appropriateness of the level of prescription of the requirements in ISA 700 and the flexibility permitted for NSS to tailor the auditor's report and will be invited to share views on the balance between consistency and relevance in auditor reporting.

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

<i>Overview Materials</i>	
<i>Invitation to Comment: Improving the Auditor’s Report</i> , issued June 2012	http://www.ifac.org/sites/default/files/publications/files/Auditor_Reporting_Invitation_to_Comment-final_0.pdf
Agenda Item 6 of the December 2012 IAASB Meeting Materials and Presentation	http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-Agenda_Item_6-AR_Cover-final.pdf http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-Auditor_Reporting_Slides-final.pdf
Agenda Item 2 of the February 2013 IAASB Meeting Materials and Presentation	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2-Auditor_Reporting-Cover-final.pdf http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2-Auditor_Reporting_Slides-final%20for%20posting.pdf
<i>Material Addressing Auditor Commentary</i>	
Agenda Item 6-A of the December 2012 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-Agenda_Item_6A-AR_Auditor_Commentary-final_0.pdf
Agenda Item 2-A of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2A-Auditor_Reporting-Auditor_Commentary-final.pdf
Updated Agenda Item 2-A of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Updated_Agenda_Item_2A-Auditor_Commentary-v1.pdf
<i>Material Addressing Going Concern</i>	
Agenda Item 6-B of the December 2012 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-Agenda_Item_6B-AR_Going_Concern-final_0.pdf
Supplement to Agenda Item 2-B of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Supplement%20to%20Agenda%20Item%202-B-final.pdf
<i>Material Addressing Other Auditors, Other Information, Descriptions of Responsibilities and Relocation, and Engagement Partner</i>	
Agenda Item 2-B of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2B-Auditor_Reporting-Remaining_Suggested_Improvements-final.pdf

<i>Material Addressing Consistency and Flexibility in Auditor Reporting and Revisions to ISA 700</i>	
September 2012 IAASB Meeting Materials	See Agenda Item 9 at the following link: http://www.ifac.org/auditing-assurance/meetings/new-york-usa
Agenda Item 6-C of the December 2012 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-Agenda_Item_6C-AR_Building_Blocks-final.pdf
Agenda Item 2-C of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2C-Auditor_Reporting-ISA_700_Issues-final.pdf
Agenda Item 2-D of the February 2013 IAASB Meeting Materials	http://www.ifac.org/sites/default/files/meetings/files/20130212-IAASB-Agenda_Item_2D-Auditor_Reporting-Revisions_to_ISA700-final.pdf

Appendix 1

Project History

Project: Auditor Reporting

Summary

	CAG Meeting	IAASB Meeting
Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report	March 2010	December 2009
Issues Paper and IAASB Working Group Proposals	-	December 2010
Development of Proposed Consultation Paper	March 2011	March 2011 May 2011
Consultation – May 2011		
Further Discussion	September 2011	
Discussion of Project Proposal and Issues	March 2012	December 2011 March 2012
Discussion of the Invitation to Comment	September 2012 (limited discussion as CAG Representatives participated in the September/October 2012 roundtables	April 2012 June 2012
Discussion of Responses to the Invitation to Comment and Other Issues	April 2013	September 2012 December 2012 February 2013
Discussion of proposed exposure draft of new and revised auditor reporting standards	April 2013	April 2013

CAG Discussions: Detailed References

<p>Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report</p>	<p><u>March 2010</u> See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5253 See CAG meeting minutes (in Agenda Item D of the following): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5882 See report back on March 2010 CAG meeting (in paragraph 12 of the following): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095</p>
<p>Development of Proposed Consultation Paper</p>	<p><u>March 2011</u> See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095 http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6096 See CAG meeting minutes (in Agenda Item M of the following): http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemA-Final_March_2011_Public_Minutes_APPROVED-v1-03.pdf See report back on March 2011 CAG meeting (in paragraph 1 of the following): http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH1-Auditor-Reporting-V1-02.pdf</p>
<p>Further Discussion</p>	<p><u>September 2011</u> See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH-Auditor-Reporting-V1-02.pdf http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH1-Auditor-Reporting-V1-02.pdf See CAG meeting minutes (in Agenda Item H of the following): http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-Agenda_Item_A-September_2011_Public_Minutes-APPROVED.pdf</p>
<p>Discussion of the Project Proposal and Issues</p>	<p><u>March 2012</u> See IAASB CAG meeting material included in Agenda Items G, H, K, L and M: http://www.ifac.org/meetings/brussels-belgium See CAG meeting minutes (in Agenda Items G, H, K, L, and M of the following): http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_March%202012_Public%20Minutes-APPROVED.pdf See report back on March 2012 CAG meeting: http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_F1-Auditor_Reporting_Report_Back-v4.pdf</p>
<p>Discussion of the Invitation to Comment</p>	<p><u>September 2012</u> See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_F1-Auditor_Reporting_Report_Back-v4.pdf See CAG meeting minutes (in Agenda Item F of the following): See draft minutes included as Agenda Item A of the April 2013 CAG Meeting.</p>

Appendix 2

Respondents’ Views about Whether AC Is an Appropriate Response to User Demands

Note: The following table is intended to depict the level of support for the concept of AC, both on an overall basis and from a geographic perspective. It is intended to provide a directional steer on key issues and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. 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. Appendix 3 provides further detail, in particular identifying caveats or where respondents believed the concept of AC should be further refined moving forward.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms ¹²	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
Overall	Green	Green	Yellow	Green	Yellow	Yellow	Red
Organizations with a Global Mandate	Green	Green	White	Green	White	Green	White
Asia Pacific	Green	Green	Yellow	White	Red	Yellow	White
Europe	Green	Green	Green	Yellow	Yellow	White	White
Middle East and Africa	White	Green	White	White	Green	Yellow	White
North America	Green	Yellow	Red	White	Red	White	White
South America	White	White	White	White	White	Green	White

¹² 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. They are indicated with a * on the list of respondents.

Appendix 3

Respondents’ Views about the Objective and Focus of AC

Note: The following table is intended to depict the level of support for particular aspects of AC explored in the ITC. It is intended to provide a directional steer on key issues and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. 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.

	Investors and Analysts	Regulators and Oversight Authorities	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
Support for Concept of AC (Appendix 2)	Green	Green	Yellow	Green	Yellow	Yellow	Red
Focus on financial statements using an Expanded EOM/Roadmap Approach	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Red
Focus on Key Area of Audit and Significant Auditor Judgments	Green	Green	Yellow	Red	Red	Yellow	Yellow
Mandate a Detailed Description of the Auditor’s Procedures	Red	Red	Red	Red	Red	Red	Red
Support AC Based on Professional Judgment with Appropriate Guidance	Green	Green	Yellow	Green	Green	Yellow	Yellow
Need for More Holistic Approach/Improvements to Financial Reporting	Yellow	Green	Green	Green	Yellow	Blank	Green

Appendix 4

Respondents' Views about Disclosing the Involvement of Other Auditors

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. 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. 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.

	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 5

Respondents’ Views about Reporting on Going Concern

Note: The following table is intended to depict the level of support for reporting on GC. It is intended to provide a directional steer on key issues and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. 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. Support for Reporting on GC category is intended to be an overall summary.

	Investors and Analysts	Regulators and Oversight Bodies	National Standard Setters	Accounting Firms – Forum of Firms	Accounting Firms – Regional and Smaller Firms	TCWG	Preparers
Support for Reporting on GC	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow
Reporting on the Appropriateness of Management’s Use of the Going Concern Assumption	Green	Green	Yellow	Green	Red	Yellow	Yellow
Support for Statement on Whether Material Uncertainties Have Been Identified	Green	Yellow	Red	Yellow	Red	Yellow	Red
Support for AC on GC	Yellow	Red	Red	Red	Red	Red	Red
Need for More Holistic Approach/Improvements to Financial Reporting¹³		Green	Green	Green			

¹³ **Note:** The ITC did not explicitly ask for respondents’ views regarding a more holistic approach to GC; rather, respondents from these stakeholder groups expressly suggested this as a potential approach that could be undertaken to enable auditor reporting on GC.

Appendix 6

Respondents’ Views about Including an Explicit Statement about Other Information in the Auditor’s Report

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. 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 30 percent of the respondents to the ITC did not answer the question.

	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	Green	Green	Green	Yellow	Green	Green
Organizations with a Global Mandate	Green	Green	White	Green	White	Green	Green
Asia Pacific	Green	Green	Green	White	Red	Green	White
Europe	Green	Green	Green	Red	Yellow	White	Green
Middle East and Africa	White	Green	White	White	Green	White	White
North America	Green	Green	Green	White	Green	White	White
South America	White	White	White	White	White	White	White

Appendix 7

Respondents’ Views about Disclosing the Name of the Engagement Partner in the Auditor’s Reports

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
Overall	Green	Green	Green	Red	Yellow	Yellow	Yellow
Organizations with a Global Mandate	Green	Green	White	Red	White	Yellow	Red
Asia Pacific	White	Green	Green	White	Yellow	Green	Green
Europe	Green	Green	Green	Green	Green	White	Green
Middle East and Africa	White	Green	White	White	Green	White	White
North America	Green	Green	Red	White	Red	White	Red
South America	White	White	White	White	White	White	White

Appendix 8

Respondents’ Views about the Enhanced Descriptions of the Responsibilities of Management, TCWG, and the Auditor

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. 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 22 percent of the respondents to the ITC did not answer the question.

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

Appendix 9

Respondents’ Views about Allowing Standardized Material Describing the Auditor’s Responsibilities to Be Relocated

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. 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 26 percent of the respondents to the ITC did not answer the question.

	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	Red	Yellow	Yellow	Yellow
Global	Green	Yellow	Blank	Red	Yellow	Yellow	Red
Asia Pacific	Blank	Red	Red	Blank	Green	Blank	Blank
Europe	Green	Yellow	Yellow	Yellow	Blank	Blank	Green
Middle East and Africa	Blank	Green	Blank	Blank	Red	Blank	Blank
North America	Green	Red	Yellow	Blank	Yellow	Blank	Yellow
South America	Blank	Blank	Blank	Blank	Blank	Blank	Blank

Appendix 10

Respondents’ Desire for Consistency in Auditor Reports When ISAs Are Used

Note: The following table is intended to depict the level of support for consistency in auditor reports when ISAs (or national auditing standards that incorporate or are otherwise based on the ISAs) are used, both on an overall basis and from a geographic perspective. It is intended to provide a directional steer on key issues and has been focused on those stakeholders that are primary participants in the financial reporting supply chain. 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
Overall	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow
Organizations with a Global Mandate	Yellow	Green	White	Yellow	White	Yellow	Green
Asia Pacific	Green	Green	Green	White	Yellow	Green	Red
Europe	Yellow	Green	Yellow	Yellow	Yellow	White	Yellow
Middle East and Africa	White	Yellow	White	White	Green	White	White
North America	Green	Green	Yellow	Green	Green	Green	Yellow
South America	White	White	White	White	White	Yellow	White