

Meeting: IAASB
Meeting Location: New York
Meeting Date: April 15–19, 2013

Agenda Item **2**

Auditor Reporting

Objectives of Agenda Item

1. To discuss issues relating to communicating key audit matters (KAM) in the auditor’s report, including corresponding revisions to ISA 260,¹ as well as a full draft of new proposed ISA 701.²
2. To discuss matters of consistency, clarification and transparency in the auditor’s report, as well as a full draft of proposed ISA 700 (Revised).³
3. To consider illustrative auditors’ reports addressing both unmodified opinions issued in accordance with ISA 700 and modified opinions issued in accordance with ISA 705.⁴
4. To discuss recommendations relating to auditor reporting on going concern, including the effect on ISA 570.⁵

Drafting Teams and Respective Responsibilities

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

ISA 700 Drafting Team (DT-700)	ISA 701 Drafting Team (DT-701)
<ul style="list-style-type: none"> • Bruce Winter, IAASB Member and Chair of DT-700* • Dan Montgomery, IAASB Deputy Chair, Chair of DT-707 and Overall Project Chair* • Jon Grant, IAASB Member* 	<ul style="list-style-type: none"> • Dan Montgomery, IAASB Deputy Chair, Chair of DT-707 and Overall Project Chair* • Cédric Gélard, IAASB Member • Marc Picqueur, IAASB Member

¹ ISA 260, *Communication with Those Charged With Governance*
² Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*
³ Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
⁴ ISA 705, *Modifications to the Opinion in the Independent Auditor’s Report*
⁵ ISA 570, *Going Concern*

<ul style="list-style-type: none"> • Annette Köhler, IAASB Member* • Chuck Landes, IAASB Member* • Len Jui, KPMG Beijing • Brendan Murtagh, IAASB Member 	<ul style="list-style-type: none"> • Tomo Sekiguchi, IAASB Member • Marek Grabowski, IAASB Technical Advisor
<p><i>Responsible for revisions to ISA 700, ISA 705, ISA 570, and conforming changes to other ISAs as necessary</i></p>	<p><i>Responsible for development of new ISA 701 and revisions to ISA 706,⁶ ISA 260 and conforming changes to other ISAs as necessary</i></p>
<p><i>Revisions to auditor reporting requirements in proposed ISA 720 (Revised)⁷ will be further progressed by the ISA 720 TF after the close of the ED comment period. However, it will be important for DT-700 to liaise with the ISA 720 TF to determine an appropriate way forward in light of responses received to the ISA 720 ED.</i></p>	

Activities since Last IAASB Discussion

6. DT-700 held one physical meeting and two teleconferences to develop the draft of proposed ISA 700 (Revised) and consider the issues included in **Agenda Items 2-D and 2-H**. DT-701 held one physical meeting and three teleconferences to develop the draft of proposed ISA 701 and consider the issues included in **Agenda Item 2-B**. Both DTs provided input into the illustrative auditors' reports included in **Agenda Item 2-A**.
7. Outreach continues to be an important aspect of the auditor reporting project, with the following key interactions noted since the last IAASB meeting:
 - Meeting with representatives of the US Public Company Accounting Oversight Board (PCAOB)
 - Meeting with European Commission Head of Audit
 - Discussion with US Financial Accounting Standards Board (FASB) Staff
 - Observing March 21, 2013 International Accounting Standards Board (IASB) meeting
8. The IAASB Consultative Advisory Group (CAG) will meet April 8–9, 2013 and will be asked to provide input on the agenda items that will be discussed by the IAASB. The DT Chairs will report back the CAG Representatives' views on key issues during the April 2013 IAASB meeting.

Material Presented

Agenda Item 2-A	Auditor Reporting—Illustrative Auditors' Reports
Agenda Item 2-B	Auditor Reporting—Key Audit Matters (including proposed revisions to ISA 260)

⁶ ISA 706, *Emphasis of Matter and Other Matter Paragraphs in the Independent Auditor's Report*

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

Agenda Item 2-C	Proposed ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i>
Agenda Item 2-D	Auditor Reporting—Issues Relating to Proposed Revisions to ISA 700
Agenda Item 2-E	Proposed ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i> (Marked from February 2013 IAASB Meeting)
Agenda Item 2-F	Proposed ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i> (Clean)
Agenda Item 2-G	Proposed ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i> (Marked from Extant ISA 700)
Agenda Item 2-H	Auditor Reporting—Going Concern
Agenda Item 2-I	Communicating Breaches of Independence Requirements
Agenda Item 2-J	Proposed ISA 260 (Revised), <i>Communication with Those Charged with Governance</i> (Marked) (for reference only)

Action Requested

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