

Auditor Reporting

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Task Force Chair

Agenda Item 2

IAASB June 2013 Meeting

Timing of Discussions and Plans for Approval

<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>
ISA 701	- ISAs 210, 260, & KAM examples - ISA 700, reports & issues - ISA 705 & reports - ISA 706	Reading/DT Meetings	Reading/DT Meetings	Reading/DT Meetings
ISA 570		Feedback on Revised ISAs 701 & 570 – Approval	Feedback on Revised ISAs 705, 706 & reports – Approval	Approval of all remaining areas, consideration of exposure period, effective date, etc.
DT Meetings	DT Meetings	DT Meetings		
	Revised ISAs 701 & 570 emailed	Revised ISAs 705, 706 & reports emailed	Revised documents as needed	

Feedback from NSS and CAG Working Group

- Strong encouragement to move forward with the Exposure Draft approval at this meeting
- Objectives of ISA 701 broadly supported, balance of requirements and guidance seems appropriate
- Illustrative examples of KAM improved from ITC
- Going concern wording has improved
- Outreach planned at the national level to solicit feedback on value and potential implementation challenges

Ground Rules

- Significant amount of material for approval
 - Focus on changes that have been made since April 2013 meeting
- Raise any remaining concerns on 701 and 570 on Monday
- Avoid re-opening past debates / recognize the positions have been largely supported by the Board
- Suggest solutions / wording changes to assist DT
- Straw polls as needed to ensure Board's position is clear

Main Changes to Proposed ISA 701 since April

- Applies to audits of complete set of F/S prepared in accordance with a general purpose framework
- Focus on areas of significant auditor attention or effort when determining KAM
 - Application material restructured to support the considerations in para. 11 and guide the auditor's thought process
- Description of KAM to explain why the auditor considered the matter to be of most significance in the audit and, ***to the extent necessary***, its effect on the audit

Main Changes to Proposed ISA 701 and Related Standards since April (cont.)

- Clarification of KAM for entities other than listed entities
 - Changes to objectives and application material
 - Conforming amendment to ISA 210
- Revised illustrative examples
 - Revision to introductory language, and new illustrative reports highlighting how this is modified for modified opinions and going concern issues
- Reconsideration of revisions to ISA 260
- Conforming amendment to ISA 230

Objective of Proposed Changes to ISA 570

- Further refine illustrative wording in light of IAASB and NSS feedback
 - IASB staff has been consulted and agrees wording is in line with IFRSs
- Operationalize the reporting requirements based on this wording
 - Make explicit the auditor's need to conclude on the appropriateness of the use of the GC basis of accounting
- Replace “GC assumption” with “GC basis of accounting”

Objective of Proposed Changes to ISA 570 (cont.)

- Illustrate how the wording and presentation would be modified when a material uncertainty is identified, including when disclosure about MU is insufficient or omitted
- GC section is not presented when the auditor disclaims an opinion
- GC section to be adapted when the auditor's report is prescribed by law or regulation

Main Changes to Proposed ISA 700 since April

- Changes to wording of statement of compliance with relevant ethical responsibilities – focus on explicit assertion of independence
 - Application material to explain potential complexities (e.g., in group audit situations)
 - Approach supported by IESBA and CAG Working Group
- Refinement of minimum elements when law or regulation prescribe the form and content of the auditor's report
 - Approach supported by NSS

Objective of Proposed Changes to ISA 705

- Ensure that changes to proposed ISA 700 (Revised) and effect of proposed ISA 701 are appropriately taken into account
- Revise illustrative examples to incorporate new elements and mirror unmodified reports to the extent appropriate
- Clarify reporting requirements when the auditor disclaims an opinion

Objective of Proposed Changes to ISA 706

- Retain the concepts of EOM and OM paragraphs as defined in extant ISA 706
- Clarify the relationship between EOM, OM and KAM
 - Ensure that EOM and OM paragraphs are not used for matters that would be determined to be KAM when proposed ISA 701 is applicable
- Explain that OM paragraphs may be used to describe matters of audit scope and strategy
 - Auditor may consider it necessary to do so or may be required by law, regulation or national standards (e.g., new UK FRC requirements)

Other Areas for Discussion

- Implications for other IAASB Standards
- Effective date
- Exposure period
 - Field testing and other outreach
- Explanatory Memorandum

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