

**Meeting:** IAASB  
**Meeting Location:** Paris  
**Meeting Date:** March 14-18, 2011

## Agenda Item

# 4

### Auditor Reporting

#### Objective of Agenda Item

1. To consider and approve a proposed Consultation Paper on possible approaches to enhance auditor reporting.

#### IAASB Working Group

2. The Working Group comprises:
  - Dan Montgomery, Chair, IAASB Member
  - Cédric Gélard, IAASB Member
  - Tomokazu Sekiguchi, IAASB Member
  - Marek Grabowski, IAASB Technical Advisor
  - Jon Rowden, IAASB Technical Advisor
3. Technical advisors supporting Working Group members on the project include Isabelle Tracq-Sengeissen (for Mr. Gélard) and Sachiko Kai (for Mr. Sekiguchi).

#### Background

4. The Working Group presented to the IAASB in December 2009, and to the IAASB Consultative Advisory Group in March 2010, a summary of key messages from the Working Group's analysis of research on user perceptions of the standard unqualified auditor's report (SAR), and information from other contemporary sources on the subject. The Working Group was encouraged to explore further the needs identified by different types of users in relation to auditor reporting.
5. In December 2010 the Working Group presented an issues paper to the IAASB which included the recommendation to undertake a public consultation to establish an appropriate platform to consider possible future standard-setting initiatives. The IAASB supported that recommendation and asked the Working Group to present a proposed consultation paper for consideration at its March 2011 meeting.

### **Activities since Last IAASB Discussion**

4. The Task Force has held five meetings since the last IAASB meeting to advance its review and analysis of available information on auditor reporting, and to develop the proposed Consultation Paper.
5. Through the contributions of the Working Group members and consideration of other available information, the Working Group has examined various models of auditor reporting and related experiences of a number of countries that have already taken steps to further enhance auditor reporting, including France, Germany, Japan, the United Kingdom and the United States (for public listed entities) to name a few.
6. The recent survey completed by the Compagnie Nationale des Commissaires aux Comptes (CNCC) to obtain feedback about the perceived usefulness of the auditor reporting model used in France (refer to Agenda Item 3), also provided valuable perspectives for the Working Group in developing the approach for the consultation.

### **Matters for Consideration**

7. In line with the Working Group's recommendation to the Board in December 2010, the Working Group has developed the attached Consultation Paper.
8. Based on the Working Group's analysis of information on this subject, there are a number of possible areas to explore that hold the prospect of enhancing the relevance and usefulness of auditor reporting for users, and improving the communicative value of the SAR. These are the focus of the proposed Consultation Paper.
9. A key premise of the main elements of the Consultation Paper is that the current scope of the financial statement audit will remain unchanged.
10. The approach allows exploration of possible ways to enhance auditor reporting on an expedited basis. The Consultation Paper identifies areas where there is opportunity in the nearer term to address some of the concerns expressed by users of audited financial statements about the relevance and usefulness of auditor reporting.
11. The proposed Consultation Paper also explains how, taken together, an enhanced auditor reporting model along the lines described, and a longer-term initiative to develop an enhanced model of corporate governance reporting (for example through the entity's audit committee), could bridge the perceived "information gap" users have pointed to in recent discussions and debates on auditor reporting, and also could help to increase the value and relevance of the financial statement audit.
12. The Working Group has aimed to present the issues in a balanced manner, with the intention that the consultation will provide information and feedback to further the IAASB's understanding of the relative advantages and drawbacks associated with each of the areas identified in the paper. This will assist the IAASB in its consideration of any further standard-setting initiatives in the area of auditor reporting.
13. The Working Group believes that the format and content of the attached proposed Consultation Paper provides an appropriate basis for the consultation with stakeholders.

### Questions for IAASB

1. Does the IAASB agree with the focus of the proposed Consultation Paper? In this focus appropriate in view of available information pointing to the existence of an “information gap” for financial statement users?
2. Does the IAASB believe there are any further avenues to explore in the area of enhancing auditor reporting, and for improving the relevance and usefulness of the standard auditor’s report, that are not reflected in the proposed Consultation Paper?
3. Does the proposed Consultation Paper convey an appropriately balanced tone in relation to the matters discussed?
4. Does the Board consider the title of the proposed Consultation Paper is appropriate, and consistent with the focus of the paper and its contents?
5. Does the IAASB believe the consultation questions are appropriate, and will they encourage the feedback and information desired for the areas discussed?
6. Does the IAASB believe that the illustrations presented in Appendix 1 are a helpful reference for readers of the proposed Consultation Paper?

### Material Presented

Agenda Item 4-A Proposed Consultation Paper, *Enhancing Auditor Reporting and Exploring Ways to Evolve the Standard Auditor’s Report*

### Action Requested

6. The IAASB is asked to consider the proposed Consultation Paper presented in **Agenda Item 4-A**, and approve it for issuance.

Subject to the Board’s approval, and the ability for the document to be released by 31 March, the Working Group proposes that it be issued for comment until August 1<sup>st</sup>, 2011.