

# Auditor Reporting

Dan Montgomery, IAASB Deputy Chair, Auditor Reporting Task Force Chair and Chair of DT-701

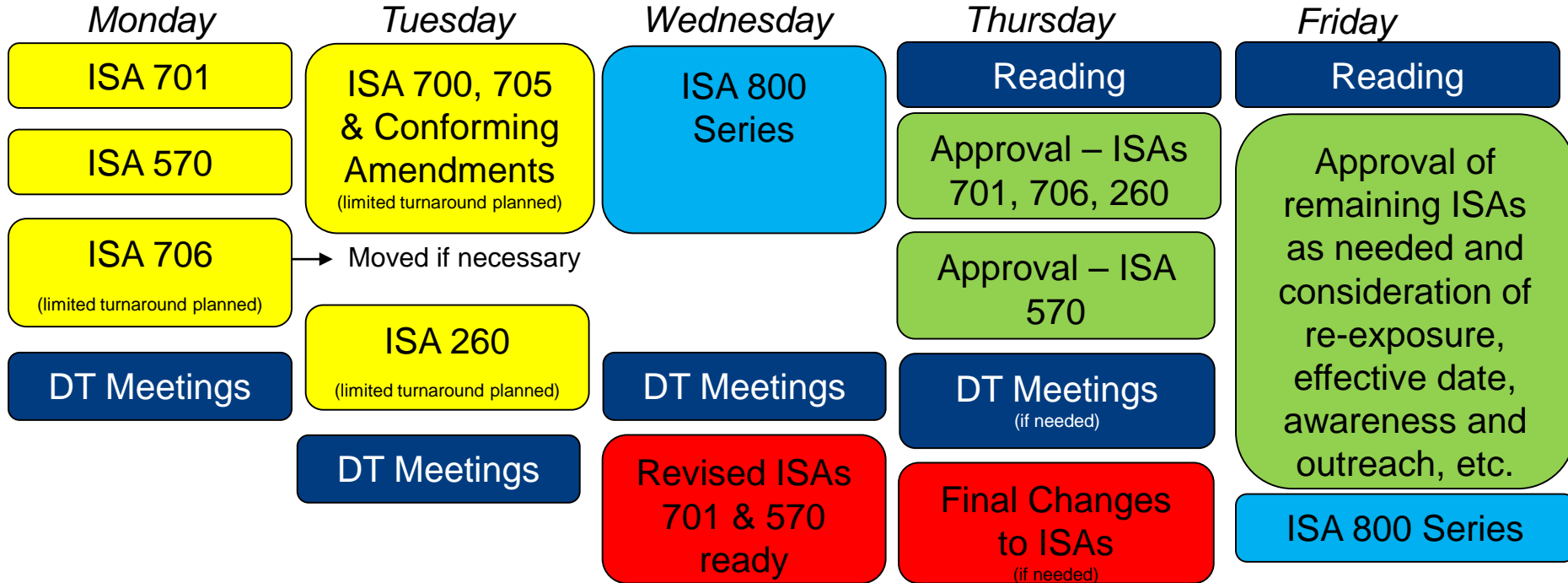
Bruce Winter, IAASB Member and Chair of DT-700

Chuck Landes, IAASB Member and Chair of DT-570

Agenda Items 2–5

IAASB September 2014 Meeting

# Timing of Discussions and Plans for Approval



# Ground Rules

- Significant amount of material for approval
  - Focus on changes that have been made since June 2014 meeting
  - Avoid re-opening past debates / recognize the positions have been largely supported by the Board
- Suggest solutions / wording changes to assist DT
- "When in doubt, take it out"
- Final QC checks for consistency etc. to be done post-approval by Staff and DT Chairs

# Key Audit Matters – General Principles

- Goal: Keep approach within proposed ISA 701 simple while responding to concerns raised by respondents, CAG, etc.
- General principles embedded in the ISA supported by Board
  - Certain matters always KAM (modified opinions, material uncertainty relating to GC) – but reported in different ways
  - KAM is NOT a piecemeal opinion or substitute for required disclosures
  - Concerns over “original information” can be mitigated
  - Important to allow for possibility that some matters determined to be KAM may not be communicated – but this will be extremely rare

# Relationship between KAM and Emphasis of Matter (EOM) Paragraphs

- Goal: Retain concept of EOM but differentiate it from KAM
- General principles
  - KAM is the preferred way of communication, as it provides more and better information to users of the financial statements
  - When KAM are communicated, EoM are used to draw attention to matters that do NOT meet the definition of KAM but are judged to be fundamental to understanding the F/S
- Approach in ISA 706
  - Auditor prohibited from using EOM paragraph for matters determined to be KAM
  - No requirement to assess if each KAM would otherwise meet the definition of an EOM
  - Term “Emphasis of Matter” required in the heading of all EOM paragraphs



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