

ENHANCING THE VALUE OF AUDITOR REPORTING: EXPLORING OPTIONS FOR CHANGE

COMMENTS/SUGGESTIONS BY

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Appendix 3

**List of Questions in this Consultation Paper ARE ANSWERED IN
CAPITAL LETTERS**

Issues Identified

1. Do respondents have any comments about the issues identified in Section II regarding the perceptions of auditor reporting today? –
ISSUES IDENTIFIED SHOULD BE DISCUSSED NOT ONLY WITH ACCOUNTANTS AND AUDITORS, NATIONAL ACCOUNTING ORGANISATIONS BUT SHOULD BE DISCUSSED WITH USER GROUPS, FINANCIAL ANALYST GROUPS, INSTITUTIONAL INVESTOR GROUPS, STOCK EXCHANGES, REGULATORS, INVESTOR ASSOCIATIONS
2. If respondents believe changes in auditor reporting are needed, what are the most critical issues to be addressed to narrow the information gap perceived by users or to improve the communicative value of auditor reporting?
RESPONSIBILITIES OF MANAGEMENT-AUDIT COMMITTEE-AUDITOR-BOARD BE DEATILED AS ANNEXURE TO AUDIT REPORT

Which classes of users are, in the view of respondents, most affected by these issues?
INSTITUTIONAL INVESTORS

Are there any classes of users that respondents believe are unaffected by these issues?
INDIVIDUAL INVESTOR

3. Do respondents believe that changes are needed for audits of all types of entities, or only for audits of listed entities?
AUDIT OF LISTED ENTITIES ONLY

Exploring Options for Change

A. Format and Structure of the Standard Auditor's Report

4. Respondents are asked for their reactions to the options for change regarding the format and structure of the standard auditor's report described in Part A.
AS AN ANNEXURE
Do respondents have comments about how the options might be reflected in the standard auditor's report in the way outlined in Appendix 1 of this Consultation Paper?
ANNEXURE SHOULD DEAL WITH GENERAL INFORMATION
REPORT SHOULD DEAL WITH ACCOUNTING FIGURES
5. If the paragraphs in the current standard auditor's report dealing with management and the auditor's responsibilities were removed or re-positioned, might that have the unintended consequence of widening the expectations gap?
PARA NOT RELATING TO ANY ACCOUNTING FIGURES SPECIFIC TO THE ENTITY BE GIVEN IN ANNEXURE
WELCOME ENHANCEMENT AND NOT REMOVAL
Do respondents have a view regarding whether the content of these paragraphs should be expanded?
YES

B. Other Information in Documents Containing Audited Financial Statements

6. Respondents are asked for their reactions to the possibility that the standard auditor's report could include a statement about the auditor's responsibilities regarding other information in documents containing audited financial statements. Do respondents believe that such a change would be of benefit to users?
SEPARATE REPORT AND NOT PART OF AUDITOR REPORTS ON FINANCIAL ACCOUNTS
YES IT WILL BENEFIT ALL USERS

7If yes, what form should that statement take?

SEPARATE REPORT

Is it sufficient for the auditor to describe the auditor's responsibilities for other information in documents containing audited financial statements?

NOT PART OF AUDIT REPORT AND AUDITED FINANCIAL STATEMENTS

Should there be an explicit statement as to whether the auditor has anything to report with respect to the other information?

NO

C. Auditor Commentary on Matters Significant to Users' Understanding of the Audited Financial Statements, or of the Audit

8. Respondents are asked for their views regarding the auditor providing additional information about the audit in the auditor's report on the financial statements.

YES AS A SEPARATE ANNEXURE TO AUDIT REPORT

9. Respondents are asked for their reactions to the example of use of —justification of assessments in France, as a way to provide additional auditor commentary.

MANAGEMENT SHOULD GIVE JUSTIFICATION FOR SIGNIFICANT ACCOUNTING POLICY ETC

AND THEN ADDITIONAL AUDITOR COMMENTARY

10. Respondents are asked for their reactions to the prospect of the auditor providing insights about the entity or the quality of its financial reporting in the auditor's report.

AS A SEPARATE REPORT;

MAIN REPORT SHOULD RELATE TO FINANCIAL FIGURES AND STATEMENTS

D. An Enhanced Corporate Governance Model: Role of Those Charged with Governance regarding Financial Reporting and the External Audit

11. Respondents are asked for their reactions to the options for change relating to an enhanced model of corporate governance reporting, as described in Section III, Part D.

ENHANCED MODEL OF CORPORATE REPORTING IS A NECESSITY

CONSIDERING GLOBAL CORPORATE GOVERNANCE FAILURES

12. To the extent that respondents support this model, what challenges may be faced in promoting its acceptance? CHALLENGES CAN BE OVERCOME BY REGULATORS ACCEPTING INTERNATIONAL BEST OR GOOD PRACTICES

IAASB/IFAC CAN ISSUE SUCH A GOOD PRACTICE

Also, what actions may be necessary to influence acceptance or adoption of this model, for example, by those responsible for regulating the financial reporting process?

REGULATORS OF FINANCIAL REPORTING PROCESS AND CORPORATE GOVERNANCE PROCESS SHOULD CONVERGE

13. Do respondents believe assurance by the auditor on a report issued by those charged with governance would be appropriate?

YES

E. Other Assurance or Related Services on Information Not Within the Current Scope of the Financial Statement Audit

14. Respondents are asked for their reactions to the need for, or potential value of, assurance or related services on the type of information discussed in Section III, Part E.

INFORMATION FOR ENHANCING THE VALUE OF AUDIT REPORT IS WELCOME

15. What actions are necessary to influence further development of such assurance or related services?

STANDARD FOR SUCH ASSURANCE/SERVICES BE DEVELOPED

Implications of Change and Potential Implementation Challenges

16. Respondents are requested to identify benefits, costs and other implications of change, or potential challenges they believe are associated with the different options explored in Section III.

BENEFITS OUTWEIGH THE COSTS

17. Do respondents believe the benefits, costs, potential challenges and other implications of change, are the same for all types of entity?

If not, please explain how they may differ. -LISTED ENTITIES ONLY BENEFIT MORE.

SME- COSTS MORE

18. Which, if any, of the options explored in Section III, either individually or in combination, do respondents believe would be most effective in enhancing auditor reporting, keeping in mind benefits, costs, potential challenges, and other implications in each case?

a) Improving the format and structure of the auditor's report

- b) Requiring the SEPERATE auditor's report about the auditor's responsibilities relating to other information in documents containing financial statements
- c) Providing more specific information on the work carried out by the auditor in the course of the audit
- d) Providing additional information about the entity or the quality of its financial reporting in SEPERATE auditor's report
- e) Enhancing reporting by the audit committee on its oversight of the financial reporting process and the audit
- f) Providing assurance or related services on other types of subject matter that is deemed to be of value to management of the entity as well as external users

In this regard, do respondents believe there are opportunities for collaboration with others that the IAASB should explore, particularly with respect to the options described in Section III, Parts D and E, which envisage changes outside the scope of the existing auditor reporting model and scope of the financial statement audit? YES

19. Are there other suggestions for change to auditor reporting to narrow the —information gap| perceived by users or to improve the communicative value of the auditor's

AUDITOR SHOULD REPORT MATTERS SPECIFIC TO THE ENTITY WHICH IS MATERIAL IN AUDIT REPORT AND NOT DRAW ATTENTION TO SIGNIFICANT ACCOUNTING POLICY NUMBER OR NUMBER OF NOTES TO FINANCIAL STATEMENTS