

15 October 2012

Mr James Gunn
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear Mr Gunn,

Invitation to Comment (ITC) – *Improving the Auditor's Report*

Introduction

Attached is the Australasian Council of Auditors–General (ACAG) response to the ITC referred to above.

While members of ACAG hold a common view supporting improving the Auditor's Report, there exist different views amongst the members of ACAG that could not be accommodated in one submission. As such this response provides two submissions that reflect alternative views held on certain significant matters amongst the members of ACAG.

Common views

ACAG strongly supports the IAASB initiative to improve the relevance, quality and value of the Auditor's Report. ACAG understands the benefits of bridging the audit expectation gap. However, this needs to be done in a way that retains the current focus on preparers being responsible for the information presented in financial reports.

ACAG supports the general thrust of the ITC, but has reservations regarding the nature, extent and application of some of the proposed changes. ACAG sees the proposed changes warranting an incremental step approach supported by the proposed 'building blocks' approach.

Importantly, any changes to the Auditor's Report should be guided by the overriding objectives of informing users and bridging the expectation gap, but without changing the scope of the ISA audit.

ACAG agrees the addition of an Auditor Commentary promises to be a positive and innovative communication channel for auditors. However, ACAG believes that within clear principles, the auditor should retain discretion as to when and how to apply Auditor Commentary. ACAG encourages the IAASB to establish these principles so that the Auditor Commentary achieves its objective.

ACAG sees the need for professional discretion when applying the proposed going concern proposals. For example, in many respects going concern is not a primary consideration, especially for bodies within the General Government sector. Further, mandatory comment by auditors would exceed the disclosure requirements placed on management and those charged with governance.

Similarly, while providing Auditor Commentary may be relevant to some categories of public sector entities irrespective of size, it will not be of any value for many other entities. For smaller entities with limited activities, at least, the inclusion of an Auditor Commentary may not be warranted. Consideration of a principles based criteria for evaluating the appropriateness of the application and likely content of Auditor Commentary would be helpful.

As mentioned above there are alternative views held amongst members of ACAG that came out of full consideration of the ITC.

Main supporting view

Most members of ACAG support the concept of an Auditor Commentary as an integral component of the Auditor's Report.

Attachment A to this letter provides the Response to Invitation to Comment – *Improving the Auditor's Report* – Main supporting view.

Divergent view

Two members of ACAG, while supportive of the project to improve the Auditor's Report do not support the concept of an Auditor Commentary forming an integral component of the Auditor's Report and some of the proposals about its possible content.

In putting forward this view these members consider that:

- Auditor Commentary should not be default communication mechanism to respond to information gaps in financial reports. It is not the role of the Auditor's Report to explain the financial statements, but rather to provide an opinion as to whether or not users can rely on them.
- The Auditor's Report containing the opinion should be a concise document. The inclusion of the additional content, and particularly content unrelated to the attest role of the Auditor's Report, will dilute the clarity of the opinion and blur the role of management and the auditor. As such, Auditor Commentary should be a separate report or an appendix to the Auditor's Report.
- Auditor Commentary should not include specific descriptions of audit procedures used or applied to specific areas of the financial statements but communicate a concluding opinion on the financial statements taken as a whole.

Attachment B to this letter provides the Response to Invitation to Comment – *Improving the Auditor’s Report* – Divergent view. To avoid duplication this attachment elaborates only on the specific questions in the ITC where there was no consensus with the majority response.

Concluding comment

The opportunity to comment is appreciated and I trust you will find the above comments useful as well as the attached responses to the specific questions posed in the ITC.

Yours sincerely

A handwritten signature in black ink, appearing to read "S O'Neill", with a small horizontal line at the end.

Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

Response to Invitation to Comment - *Improving the Auditor's Report* -
Main supporting view

Overall considerations

- 1. Overall, do you believe the IAASB's suggested improvements sufficiently enhance the relevance and informational value of the Auditor's Report, in view of possible impediments (including costs)? Why or why not?**

ACAG strongly supports the IAASB initiative to improve the relevance, quality and value of the Auditor's Report. ACAG appreciates that making certain matters more explicit in the Auditor's Report may help bridge the audit expectation gap. However, this needs to be done in a way that retains the current focus on preparers being responsible for the information presented in financial reports.

The concept of providing Auditor Commentary is familiar to the public sector. Auditors-General each have reporting obligations under legislation in their jurisdictions. Their reports, tabled in Parliament, provide the opportunity for Auditors-General to expand on disclosures in public sector (agency, portfolio or whole of government) financial reports, and on information conveyed in the Auditor's Report. These reports help address information and expectation gaps of the various subsets of users of public sector financial statements. The current IAASB proposals may duplicate the type of information Auditors-General already report, albeit not in the Auditor's Report.

Whilst ACAG supports the thrust of the proposed changes, it has some reservations regarding the nature, extent and application of some of the proposed changes. It is important that changes to the Auditor's Report add value and not just volume. ACAG considers some of the proposals risk making the Auditor's Report longer and more complex, diluting its power and clarity. Specific concerns are detailed in the answers that follow.

- 2. Are there other alternatives to improve the Auditor's Report, or auditor reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others? Please explain your answer.**

ACAG encourages the IAASB to continue to lobby and work with accounting standard setters to improve financial reporting standards. ACAG believes that helping users to navigate increasingly lengthy and complex financial statements (paragraph 3) is the role of accounting standard setters rather than the IAASB and the auditor.

Auditor Commentary

- 3. Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the Auditor's Report? Why or why not? (See paragraphs 35-64.)**

ACAG supports the introduction of Auditor Commentary as a means of closing the audit expectation gap but not as an encroachment on the responsibility of the entity to report.

In addition, ACAG notes that EOM Paragraphs are currently powerful tools allowing the auditor to draw attention to information fundamental to users' understanding of the financial report. The fact they are rare increases their impact. ACAG believes there may be a case for retaining EOM paragraphs as means of alerting readers, whereas the Auditor Commentary would be more about making readers aware of significant aspects of the conduct of the audit.

Some ACAG offices believe that if the information to be covered in the Auditor's Report is too broad, it will detract from the clarity of the overall opinion on the financial statements, lead to confusion as to the purpose of the audit and widen the expectation gap. These Offices consider that it may be more suitable to present the Commentary as an appendix to the Auditor's Report.

In either case, the Auditor's Report as a whole must counter inappropriate inferences that may be made from the inclusion of Auditor Commentary. These include inferences that:

- the auditor's responsibility is to explain rather than provide an opinion on the financial statements
- the Auditor Commentary is a substitute for understanding the financial statements as a whole
- the sufficiency of the audit is to be judged by the length of the Commentary
- appear to give assurance about a particular balance, rather than the financial report as a whole
- create a risk that the Auditor Commentary will not align to users' perspective of what is important, confusing rather than clarifying.

4. Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgment of the auditor, with guidance in the standards to inform the auditor's judgment? Why or why not? If not, what do you believe should be done to further facilitate the auditor's decision-making process in selecting the matters to include in Auditor Commentary? (See paragraphs 43–50.)

ACAG agrees that matters to be addressed in Auditor Commentary should be left to the judgment of the auditor with guidance in the standards setting out clear principles to inform that judgement. This may mitigate the tendency to develop lengthy, boilerplate responses while promoting some degree of consistency between auditors.

The guidance should state the objective(s) of and clear principles for Auditor Commentary, including in relation to:

- minimum considerations as to content and length
- the appropriateness, nature and extent of commentary which expands on disclosures in the financial report or other matters not disclosed by the entity itself, including in relation to:
 - matters of disagreement with management that, while not material enough to result in modification of the auditor's opinion or report, will facilitate users' understanding of the financial statements
 - the appropriateness of management's decisions, policy choices (other than accounting policy), leadership style, competence, risk tolerance and other subjective assessments
- the nature and extent of detail to be provided on audit procedures. To avoid debate on the sufficiency of those procedures and the exercise of professional judgement, commentary might need to be at a very high level e.g. dealing only with significant risks

- require auditors to document in the audit file their reasons why the auditor decided to include the matter in the Auditor Commentary, for example a justification of why a matter is included in Auditor Commentary (be aware) rather than in an EOM (be alert)
- provide illustrative examples.

This will guide auditors to appropriately balance the principles of relevance, appropriateness, consistency and comparability in Auditor Commentary.

5. Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary? (See paragraphs 58–61.)

ACAG supports illustrative examples and makes the following specific suggestions. The:

- descriptions provided in the example Auditor Commentary are highly complex. The experience of Audit Offices globally, is that to be effective, reports (to Parliament) must be plainly worded, direct and convey complex messages in the simplest form possible. This principle will also be true for Auditor Commentary
- ‘Outstanding Litigation’ matter (first example) could be improved by an explanation of why the matter is worth highlighting to users and describing the nature of the potential risk
- ‘Goodwill’ matter (second example) provides detailed information that should already be in the financial statements. Auditor Commentary should not compete with management’s disclosures or confuse users by providing different interpretations blurring the roles of management and auditor
- ‘Valuation of Financial Instruments’ (third example) provides a good example of the auditor’s response to an asset that is subject to management’s significant judgements and measurement uncertainty. It informs users of the auditor’s response, but its inclusion should be based on the auditor having identified this account balance as a significant audit risk
- ‘Audit Strategy Relating to the Recording of Revenue, Accounts Receivable and Cash Receipts’ (fourth example) describes why the balances were significant to the financial statements and the audit, but the descriptions of the auditor’s procedures may be too detailed to be useful to users.

6. What are the implications for the financial reporting process of including Auditor Commentary in the Auditor’s Report, including implications for the roles of management and those charged with governance (TCWG), the timing of financial statements, and costs? (See paragraphs 38 and 62–64.)

ACAG’s public sector experience indicates there are likely to be implications from introducing an Auditor Commentary. Implications include:

- timeliness of the financial reporting and audit process. Inclusions can be highly sensitive, consequently comments take time to draft, negotiate and clear with management and TCWG
- costs may be considerable, because only senior audit staff are involved in this process
- the cost of producing an Auditor Commentary for smaller entities may well outweigh the benefit.

- 7. Do you agree that providing Auditor Commentary for certain audits (e.g., audits of PIEs), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided? (See paragraphs 51–56.)**

As public sector auditors, ACAG sees the need for professional discretion as to when to include Auditor Commentary.

The application of the Public Interest Entity concept to the public sector has some difficulty. Auditor Commentary would seem relevant to some categories of public sector entities irrespective of size, e.g. local government authorities, and larger public sector entities such as large departments and authorities where there is public interest in the financial statements. In the case of many smaller entities, however, an Auditor Commentary does not seem appropriate. Consideration of principles and criteria for its application would be helpful.

Going Concern/Other Information

- 8. What are your views on the value and impediments of the suggested auditor statements related to going concern, which address the appropriateness of management’s use of the going concern assumption and whether material uncertainties have been identified? Do you believe these statements provide useful information and are appropriate? Why or why not? (See paragraphs 24–34.)**

ACAG sees the need for professional discretion when applying the proposed going concern proposals. In the General Government sector, going concern determinations are usually primarily dependent on continuing government appropriation and therefore going concern is not a primary consideration. Further, under current requirements, the auditor’s mention of going concern has a major impact because of its relatively rare and selective use – a quality that would be lost if mention was mandated.

ACAG notes that mandatory comment by auditors would exceed the disclosure requirements currently placed on management and those charged with governance. ACAG therefore recommends that the IAASB approach accounting standard setters to improve the reporting framework in this respect to require entities to disclose the basis on what they assess they are a going concern.

ACAG considers that the proposed heading ‘Material Uncertainties Related to Events or Conditions that May Cast Significant Doubt on the Company’s Ability to Continue as a Going Concern’ sets up the expectation that there are in fact, material uncertainties. The heading could be removed where none were identified.

- 9. What are your views on the value and impediments of including additional information in the Auditor’s Report about the auditor’s judgments and processes to support the auditor’s statement that no material uncertainties have been identified? (See paragraphs 30–31.)**

ACAG’s views here are consistent with its views on Auditor Commentary at question 3. Including additional information (as outlined in paragraph 30) may dilute the strength of the Auditor’s Report by appearing to attach conditions to an otherwise unmodified report. ACAG believes the inclusion of additional paragraphs could lead users to interpret the identified events or conditions as clouding the auditor’s unqualified opinion.

ACAG considers that if significant events arise or conditions exist that impact the assessment of going concern, there will be financial statements effects (such as asset impairment, high gearing etc.). The events, conditions, financial statement effects and environmental factors and matters could be included in the Auditor Commentary section, in the same way as any other matter worthy of specific comment.

ACAG agrees with the impediments noted at paragraph 31. ACAG also notes that this paragraph is most problematic in terms of its legal and reputational implications for auditors and the profession.

10. What are your views on the value and impediments of the suggested auditor statement in relation to other information? (See paragraphs 65–71.)

ACAG supports in principle inclusion of the suggested ‘other information’ auditor’s statement; however it must also be made clear that this information has not been audited.

ACAG notes that the introduction of an explicit statement that certain information within the annual report is consistent with the audited financial statements is a departure from the current position whereby the auditor does not have to read all the other information before the Auditor’s Report is dated (ISA 720.7).

ACAG also notes the significant impediment of the impact on the timeliness of the audited financial statements and Auditor’s Report.

Some information in the annual report is often not compiled and/or provided to the auditors until well after the client has received the signed Auditor’s Report. The proposed statement may require a change to audit processes, with consequences for the timeliness of the Auditor’s Report. This will cause distinct problems where the completion of statements and Auditor’s Report is legislated well before annual reports are compiled. If the intent is to provide some sort of assurance on the other information, this should be achieved through a separate engagement.

Clarifications and Transparency

11. Do you believe the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in the illustrative Auditor’s Report are helpful to users’ understanding of the nature and scope of an audit? Why or why not? Do you have suggestions for other improvements to the description of the auditor’s responsibilities? (See paragraphs 81–86.)

ACAG supports providing enhanced descriptions of the roles and responsibilities of management, TCWG and the auditor, as this additional information is likely to help bridge the audit expectation gap.

However, ACAG believes this information, if provided in the Auditor’s Report will necessarily be very high level and generic. To provide a large quantity of detail in the Auditor’s Report would be counterproductive, as the length of the proposed report must be balanced with reader interest.

ACAG therefore agrees with the proposal to make additional, educative information in an alternative forum, rather than in the Auditor’s Report. This extra information might also include descriptions of concepts such as reasonable assurance, material misstatement, professional judgement and professional scepticism (in relation to the auditor’s responsibility section).

ACAG recommends the IAASB liaise with the IASB and legislators to increase disclosure by management and those charged with governance of their primary responsibility for the financial statements (such as at note 1) or in the Directors’ Statements.

12. What are your views on the value and impediments of disclosing the name of the engagement partner? (See paragraphs 72–73.)

Some Audit Offices make a distinction between the person signing the Auditor's Report and the engagement partner as the person responsible for delivering the audit. That said, ACAG has no objection to disclosing the name of the person signing the Auditor's Report.

13. What are your views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary? (See paragraphs 77–80.)

ACAG believes it is not appropriate to diffuse the responsibility for the audit by referring to other auditors and experts. This seems at odds with the requirements of other Auditing Standards.

If the use of other auditors is to be mentioned, ACAG believes this information should be high level and generic as part of any enhanced description of the auditor's responsibilities.

14. What are your views on explicitly allowing the standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority, or to an appendix to the Auditor's Report? (See paragraphs 83–84.)

As discussed in the response to Question 1, ACAG is concerned the proposals will mean the Auditor's Report will become longer and more complex. ACAG believes certain material must be in the Auditor's Report and the IAASB should specify minimum information to be included.

ACAG suggests that if supplementary material of an educative nature is to be included outside of Auditor's Reports, this would sit best within the auditing standards framework. This would give the information a legislative or quasi legislative status and provide for version management.

Form and Structure

15. What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users? (See paragraphs 17–20.)

ACAG supports the proposal to place the opinion and EOM paragraphs, if relevant, towards the beginning of the report. This practice makes sense as these sections will be the focal point of the revamped Auditor's Report. This practice has already been adopted by some Australian members of ACAG.

ACAG believes the auditor's responsibility paragraphs should precede Auditor Commentary. This placement will give the Auditor Commentary some context for the reader.

ACAG recommends amending the opinion section to state the auditor's opinion should be read in conjunction with the rest of the Auditor's Report including the Auditor Commentary and reinforce that the opinion relates to the financial statements as a whole. Much of the proposed content of the Auditor's Report is designed to supplement the opinion itself.

- 16. What are your views regarding the need for global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, are used? (See paragraphs 21–23 and 87–90.)**

ACAG considers it is important for auditors' reports to be comparable. This allows users to easily identify them and to locate the information they require.

At the same time, it is important to maintain a degree of flexibility so that auditors' reports can be useful to users.

ACAG therefore agrees with the principles of the IAASB's 'building blocks' approach.

- 17. What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulation require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices? (See paragraph 17 and Appendix 4.)**

ACAG does not see the need to mandate the ordering of items to appear in the Auditor's Report.

- 18. In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What considerations specific to audits of small- and medium-sized entities (SMEs) and public sector entities should the IAASB further take into account in approaching its standard-setting proposals? (See paragraphs 91–95.)**

ACAG views on the application of the suggested improvements to SMEs and public sector entities have been stated elsewhere in this response.

Additionally, ACAG would value the IAASB liaising with other standard setting bodies to develop a consistent definition of PIEs to simplify the application of current and future requirements.

Response to Invitation to Comment - *Improving the Auditor's Report* - Divergent view

Question 3 – Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the Auditor's Report? Why or why not? (See paragraphs 35–64.)

Two Australian audit offices support the traditional role of the Auditor's Report as an attest report on management's assertions. They support the introduction of Auditor Commentary only if separate from the Auditor's Report or an appendix to the Auditor's Report. These audit offices note that the call for auditors to provide more information to users through the Auditor's Report came primarily from institutional investors and financial analysts looking for information to help them navigate 'increasingly complex financial statements' (paragraph 3 & 35 of the ITC). The fact that sophisticated users are finding it difficult to navigate financial statements suggests the issue lies with financial reporting frameworks. These audit offices believe this issue would be more appropriately addressed by improving the financial reporting framework.

The Auditor Commentary should not be the default communication mechanism responding to information gaps in financial reports. It is not the role of the Auditor's Report to explain the financial statements, but rather to provide an opinion as to whether or not users can rely on them. Shifting this responsibility will fundamentally change user perceptions of the respective responsibilities and widen rather than close the expectation gap.

The Auditor's Report containing the opinion needs to be a concise document and the inclusion of the additional content will dilute the clarity of the opinion. As such, Auditor Commentary is better presented as a separate report or an appendix to the Auditor's Report. The matters in Auditor Commentary should be limited to those about which users should be "aware" rather than "alert" or "alarmed". The "alert" and "alarmed" matters should remain in the body the Auditor's Report.

The Audit Offices supporting the divergent view feel that in order to narrow rather than broaden the expectation gap, the IAASB must:

- carefully consider the scope of the Auditor Commentary. The more content within the scope of the commentary the more it is likely to become boilerplate over time and obscure rather than clarify the role of the auditor
- ensure the Auditor Commentary is limited to line items within the financial statements that have a risk of material misstatement
- ensure Auditor Commentary expressly states that it does not provide any specific assurance about the line items it discusses
- limit the circumstances where comment can be made on matters not raised by management. If matters are raised by the auditor rather than management, then surely the auditor is simply informing users that there was an acceptable point of difference. In this case the information is of questionable value and likely to confuse users.

Question 5 – Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary? (See paragraphs 58–61.)

The Auditor Commentary should not include specific descriptions of audit procedures used or applied to specific areas of the financial statements (for instance the example financial instruments commentary). An Auditor's Report communicates a concluding opinion on the financial statements taken as a whole. Inclusion of specific commentary about procedures performed on components, such as financial instruments, is likely to lead users to conclude that specific assurance is being provided about those items.

Question 6 – What are the implications for the financial reporting process of including Auditor Commentary in the Auditor's Report, including implications for the roles of management and those charged with governance (TCWG), the timing of financial statements, and costs? (See paragraphs 38 and 62–64.)

In addition to the comments included in the main supporting view, The audit offices supporting the divergent view also consider that:

- auditors will be pressured to standardise commentary, make it vague and give less impact. Independence may be impaired
- there may be pressure to include in the commentary matters that should by rights result in modification of the auditor's opinion or report.

Question 7 – Do you agree that providing Auditor Commentary for certain audits (e.g., audits of PIEs), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided? (See paragraphs 51–56.)

The audit offices supporting the divergent view believe the definition of PIEs should be able to be applied consistently by private and public sector entities.

In the ITC, the IAASB indicates that it would like to understand whether as a matter of course public sector entities should be included in a definition of PIEs (paragraph 95). These offices do not accept that public sector entities should automatically be identified as PIEs. Interest in a public sector entity it is likely to centre on the services it delivers, rather than on its financial position and performance. Public sector auditors must be able to exercise professional judgement when identifying PIEs.

These offices recommend the IAASB liaise with other standard setting bodies to develop a consistent definition of PIEs to simplify the application of current and future requirements.

Question 9 – What are your views on the value and impediments of including additional information in the Auditor's Report about the auditor's judgments and processes to support the auditor's statement that no material uncertainties have been identified? (See paragraphs 30–31.)

In addition to the comments included in the main supporting view, the audit offices supporting the divergent view make the following observations. Consideration of going concern in Australia only extends one year from the signing of the Auditor's Report, and in other countries this period is even less. Any assurance therefore is quite limited. A mandatory comment by auditors is likely to be perceived as giving assurance beyond this.

Management themselves make no annual disclosure about their assessment of ongoing viability. Management are only obliged to comment about going concern if material uncertainty exists. Mandatory comment in the Auditor's Report therefore, will rarely reference to any assertion by management. This represents a major departure from the attest nature of the Auditor's Report. Where the auditor comments on a matter about which management is silent, they effectively take responsibility for that information.

A financial collapse is always followed by perfect hindsight. If the condition was identified and reported and the entity subsequently collapsed, the auditor will be accused of not modifying the opinion when they should have. If a condition was incorrectly identified and reported it may precipitate an unwanted market reaction and the auditor's relationship with management is damaged. If the entity collapses and the condition was not identified, then the auditor is accused of a poor assessment.

This paragraph, whether as part of the opinion or Auditor Commentary, will undoubtedly widen the expectation gap. It will be used in any legal suit or media release following the collapse of an entity, damaging settlement prospects, case outcomes and the reputation of the firm and profession generally.

Question 13 – What are your views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary? (See paragraphs 77–80.)

The audit offices supporting the divergent view also believe this information may be counterproductive to understanding the role of the Key Audit Partner and detract from their overall responsibility for the Auditor's Report. These offices also note that this proposal is at odds with the requirements of other ISAs, notably ISA 600.

Question 15 – What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users? (See paragraphs 17–20.)

Subject to the comments included in the main supporting view, the audit offices supporting the divergent view support the introduction of Auditor Commentary if it is separate from the Auditor's Report or an appendix to the Auditor's Report.