

**To: The International Auditing and Assurance Standards Board**

**From: WBLI Chartered Accountants**

**Date: October 8, 2012**

**Re: Invitation to Comment on Improving the Auditor's Report**

We have had the opportunity to review the invitation to comment document "Improving the Auditor's Report" and have identified several concerns that we would like to address. Before we outline our concerns, we would like to provide you with some background about our firm.

WBLI Chartered Accountants is an independent chartered accounting firm located in Halifax, Nova Scotia, Canada. We are the largest independent firm in Atlantic Canada and employ approximately 80 people. Given the small number of public companies located in our marketplace, we have chosen not to do any assurance work for public companies. Our assurance client base primarily consists of owner-managed businesses and also not-for-profit organizations.

#### **COST/BENEFIT**

The cost to provide the additional information will make audits inaccessible to small and medium sized entities and not-for-profit organizations. Due to the increased amount of time that it will take to provide the proposed additional information, our audit fees will increase significantly, therefore, resulting in a higher fee that our clients will have to pay. Some clients will not have the budget to absorb the increase in fees or will be resistant to pay increased fees as they will not perceive any benefits in the suggested modifications to the audit report. It will be difficult for firms to pass the increased fees to some clients.

The increase in fees will also result in private businesses that are not required to have an audit engagement by their lending institution, but would opt to complete an audit for governance reasons, deciding not to do so. We believe that the proposed modifications will likely lead to fewer audit engagements as some private companies may switch to a review engagement to avoid paying the additional fees.

We recommend that the IAASB's requirements for auditors' reports to include a paragraph regarding other information should only apply to publicly traded entities. Furthermore, the auditors' report for publicly traded companies would only include an explicit paragraph regarding whether, based on reading other information, the auditor has identified material inconsistencies between the other information and the audited financial statements. The financial statements of small and medium private enterprises and not-for-profit organizations are not typically as widely distributed and the other information is only generally provided by public companies.

We do not believe that the IAASB's suggested form and structure of the auditors' report give appropriate emphasis to matters that are of the most importance to users. The proposed form and structure are considerably longer and more complex than the existing auditors' report. Financial statement users of small and medium enterprises and not-for-profit organizations will likely be more confused than informed by the proposed changes and will not benefit.

## **Risk**

We are concerned that requiring the auditors' report to include an explicit conclusion on the appropriateness of management's use of the going concern assumption will increase our risk in completing the engagement because it may be difficult for auditors' to make this explicit conclusion. The present auditors' report which provides an implicit conclusion on the issue of the going concern assumption seems adequate and sufficient to meet the needs of financial statement users. If the IAASB were to require the auditors' reports to include statements and conclusions relating to going concern, we recommend that these conclusions only apply to publicly traded entities.

The changes suggested by the IAASB also include the auditor commentary drawing attention to a financial statement note, describing certain audit procedures relating to financial statement disclosures and including a conclusion from the auditor and including information about the audit strategy. We do not agree with any of these suggestions. Providing a conclusion would be confusing for users as would commentary that draws attention to a financial statement note. The audit report is to be read in conjunction with the financial statements, significant accounting policies and notes to the financial statements. The current audit report adequately describes that the audit was planned and executed in accordance with generally accepted auditing standards. This reference should be sufficient. In the audit planning memorandum and findings memorandum, we are required to address the audit strategy. Any questions or comments from management or the board regarding the audit strategy should be addressed in the planning stage, not at the reporting stage of the audit.

## **CONCLUSION**

We do not support the proposed changes to the auditors' report for audits of small and medium private enterprises and not-for-profit organizations as the costs will outweigh the benefits. We feel that the proposed changes would be more suited for auditors' reports of publicly traded companies.

Thank you for the opportunity to provide feedback on this matter.

Sincerely,

**WBLI CHARTERED ACCOUNTANTS**