

Invitation to Comment: Improving the Auditor's Report

This summary provides an overview of the IAASB's [Invitation to Comment \(ITC\)](#) on Auditor Reporting.

Objective:

The ITC sets out the IAASB's indicative direction proposed for the future auditor's report. It reflects the progress the IAASB has made in its deliberations to date, based on what it has learned from its research, its [May 2011 consultation paper](#), its ongoing dialogue and outreach activities, and related initiatives of others.

The ITC is an important milestone in the IAASB's project on auditor reporting, as it will inform the IAASB's future standard-setting proposals. It is therefore vital for the IAASB to have a robust understanding about the value and viability of the IAASB's preferred options for improvements in auditor reporting and how best to effect these changes globally.

Comment Date:

The ITC is open for public comment through October 8, 2012.

How To Respond:

Respondents are asked to submit their comments electronically through the IAASB website, using the ["Submit a Comment" link on the ITC page](#). Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website.

For More Information:

Visit the Auditor Reporting page at www.iaasb.org/auditor-reporting. In addition to further background information, this page also includes information about IAASB roundtables planned in New York, Brussels, and Kuala Lumpur in September and October 2012.

Responding to the ITC

All stakeholders – in particular, investors, analysts, and other users that read and rely on the auditor's report – are encouraged to respond.

Understanding the improvements to auditor reporting that are most important from users' perspectives, and whether the direction outlined in the ITC would enhance the value of auditor reporting, will help the IAASB to best meet its public interest mandate in this important area.

Who should respond

As investors and analysts have been leading the call for change, the IAASB is particularly interested in hearing from them as to whether the IAASB's suggested improvements to the auditor's report will provide useful additional information and increase the relevance and value of the report.

Input from all stakeholders, however, is vital, and will help the IAASB ascertain both the value and potential impediments of its suggested improvements. In particular:

- Auditors and regulators will likely provide insights on the practical aspects, including any challenges, of implementing the suggested improvements.
- Preparers and those charged with governance are likely to have views in light of their financial reporting responsibilities, including how the suggested improvements may affect their interactions with the auditor.
- National standard setters and supreme audit institutions can provide insight on both value and impediments relative to global adoption in light of national financial reporting regimes and unique public sector considerations.

Key features of the ITC

Key features of the ITC include:

- A statement from the IAASB chairman, Prof. Arnold Schilder
- An illustrative improved auditor's report
- Questions to facilitate respondents' feedback on the suggested improvements
- A summary of the Board's rationale, including its use of a value and impediments model for decision-making
- Explanation of how the IAASB's suggested improvements to auditor reporting could be tailored to accommodate national financial reporting regimes
- Highlights of plans for IAASB roundtables on auditor reporting

The IAASB's suggestions to improve auditor reporting

The IAASB has reached general agreement on a number of improvements to the auditor's report that it believes in principle should be promulgated internationally.

Taking into account the feedback from the ITC, the IAASB intends to develop an exposure draft of revised auditing standards for approval in June 2013.

Suggested Improvements

- Additional information in the auditor's report to highlight matters that, in the auditor's judgment, are likely to be most important to users' understanding of the audited financial statements or the audit, referred to as "Auditor Commentary." This information would be required for public interest entities (PIEs) – which includes, at a minimum, listed entities – and could be provided at the discretion of the auditor for other entities.
- Auditor conclusion on the appropriateness of management's use of the going concern assumption in preparing the financial statements and an explicit statement as to whether material uncertainties in relation to going concern have been identified
- Auditor statement as to whether any material inconsistencies between the audited financial statements and other information have been identified based on the auditor's reading of other information, and specific identification of the information considered by the auditor
- Prominent placement of the auditor's opinion and other entity-specific information in the auditor's report
- Further suggestions to provide clarity and transparency about audits performed in accordance with ISAs