

IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

International Developments in Auditing: Perspectives on Auditor Reporting

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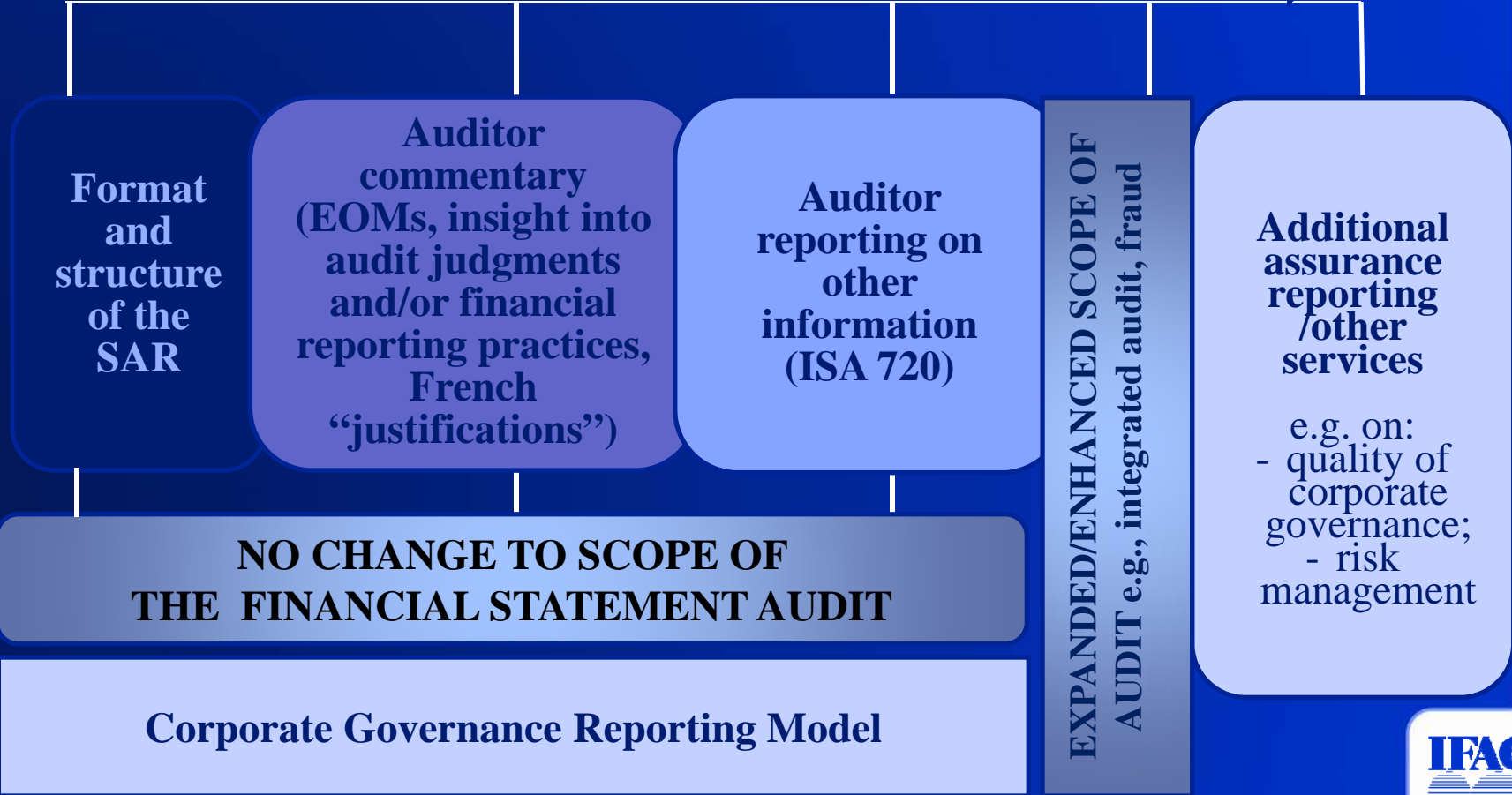
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Are audit reports relevant?

- The auditor's report, in particular the auditor's opinion, on the financial statements is valued by users
- But, the value of an unmodified audit report is seen as being mainly symbolic—valued due to its existence rather than detailed content
- The auditor reporting consultations confirmed that there is an “*information gap*”—users would like more information about the audit performed and insights into the auditor's findings
- This is different from the “*expectation gap*” regarding the scope and purpose of an audit and the auditor's role and responsibilities—a gap which is persistent and hard to change

Potential options for change explored



Overview of responses

- Strong and broad support for change
- Consensus on the importance of retaining the “binary” audit opinion
- Users are seeking more insight from the auditor into the audit and the entity’s financial reporting, but not more “boilerplate”
- Some support to clarify and expand technical terms
- Many also supported improvements in transparency about the audit process, for example:
 - Describing responsibilities for e.g., fraud, other information
 - Identifying the name of engagement partner and the role of affiliated firms



Overview of responses

- More mixed views on nature and extent of being able to provide auditor insights into key aspects of the audit, the entity and the entity's financial statements
 - Broader support for information that is more objective, e.g., information to help navigate the financial statements and significant financial reporting judgments
 - Possibly more challenges in meaningfully providing more insight into audit judgments, e.g., materiality, responses to significant risks identified
 - Very mixed views on reporting subjective views or judgments, e.g., auditor's view of the quality of the entity's financial reporting

Project proposal to revise ISA 700

- Seek approval in December to commence a project immediately to revise ISA 700
- Project objective is to propose revisions to ISA requirements to address the structure and content of the auditor's report to enhance its communicative value and relevance
- Project will also consider how to accommodate national financial reporting regimes, while at the same time ensuring that common and essential content is addressed

International perspectives

- Many respondents urged the IAASB and PCAOB to work together to find a common global solution
- Common view that unnecessary differences should be minimized to the extent possible
- An international solution also needs to consider:
 - audits of publicly-listed entities, small and medium entities, and public sector entities
 - jurisdictions with varying levels of development in their corporate reporting structures
- Also recognize that there are initiatives already in place or proposed in different jurisdictions



Forging a global model

- One possibility is to adopt a “building blocks approach” that differentiates between core elements and other reporting elements
- ISA 700 started down this path when it adopted a two-part report to allow for variations in the scope of the auditor’s responsibilities in different jurisdictions
- But it also mandated a consistent format and wording for the auditor’s report on the financial statements, which has limited full adoption in some jurisdictions
- So, a global solution is not without challenges

Fitting into the bigger picture

- In the shorter term, awareness of the need to remain aligned with developments in other projects:
 - Auditor's responsibilities for other information
 - Disclosures, including uncertainty and going concern
 - Audit quality
 - Assurance on other information
- In the longer term (how long?), the future landscape may shift significantly through developments in:
 - Financial reporting
 - Integrated corporate reporting
 - Corporate governance

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