

## **Auditor Reporting— Issues and IAASB Working Group Proposals**

### **I. Purpose**

1. This Issues Paper presents the Auditor Reporting Working Group's (the Working Group) perspectives and recommendations on a strategy to:
  - (a) Address concerns expressed among certain users of audited financial information about the adequacy of auditor communications, including the usefulness of the standard auditor's report provided for an audit of financial statements; and
  - (b) Consider the auditor's role in fulfilling information needs of users of financial statements through auditor reporting or other forms of auditor communication.
2. This paper is structured as follows:
  - **Section II** provides an overview of the Key Recommendation of the Working Group, together with a summary of key issues underlying that recommendation.
  - **Section III** sets out relevant background and contextual information, including the general perspective on the issues taken by the Working Group.
  - **Sections IV and V** present the Working Group's analysis of relevant issues and problem identification, and its preliminary recommendations about a wider strategy for addressing auditor reporting issues, respectively. These sections identify specific matters for IAASB consideration.

### **II. Key Recommendation**

3. Central to the Working Group's proposals in this paper is the need for consultation to establish an appropriate platform from which proposals for changes to auditor reporting can be evaluated and assessed. Based on its review and evaluation of available information<sup>1</sup> the Working Group recommends, as a first step, publication of an IAASB Consultation Paper (CP) on auditor reporting in the first quarter of 2011, and seeks the IAASB's support to do that.
4. The Working Group has considered evidence from many sources supporting the need for change in the area of auditor reporting, including the recent consultation carried out by the International Organization of Securities Commissions (IOSCO) and commentary from other regulatory and standard-setting bodies, and other stakeholders in the financial reporting process. It is not envisaged that an IAASB CP would serve as a further request for views on auditor reporting generally. It would instead seek views from respondents, including those jurisdictions and stakeholder groups who have not as yet entered the debate, on some specific propositions for change, building on the general feedback arising from the IOSCO consultation and elsewhere. The Working Group believes that the IAASB

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<sup>1</sup> The list of sources of information consulted by the Working Group to develop its views and perspectives presented in this Issues Paper is included in the Appendix of this Paper.

would need a wider cross-section of views across different constituencies before exploring any fundamental change to the ISA 700<sup>2</sup> auditor reporting model.

5. In the Working Group’s view, the CP would move the debate forward in two principal ways:
- (a) Bring into focus the diversity of views calling for change and improved auditor reporting that have been expressed by investors in different jurisdictions. The CP, in describing possible approaches to address investor concerns, could help the IAASB to discern what it is that investors are looking for that would improve auditor reporting, along with responses that are, or may be, available or possible to address those areas, for example:
    - Improvements to the various financial information and financial disclosures that auditors are requested to report on, including financial statements, rather than a change in the auditor’s report per se;
    - Changes to the standard auditor’s report as required by ISA 700 (and other related reporting ISAs); or
    - Auditor involvement with, including the possibility of auditor assurance on, additional information provided by others in the financial reporting process, for example, management or those charged with governance.
  - (b) Serve as a vehicle for the IAASB to understand the views of a wide range of different jurisdictions and different stakeholders, including public sector institutions and small and medium-sized entities (SMEs), and their respective auditors. This would provide scope for the IAASB to better understand whether there are perspectives that differ between jurisdictions, different stakeholders, or possibly as a consequence of differences in national financial reporting infrastructures.

#### KEY ISSUES UNDERLYING THE WORKING GROUP’S RECOMMENDATION

6. The key issues summarized below are discussed further in this Paper as background to the Working Group’s recommendation above.

### **SUMMARY OF KEY ISSUES**

#### **The Current Auditor Reporting Model—Problem Identification**

- The current model of auditor reporting needs to be reconsidered in view of the available information pointing to user perceptions that that auditor’s report needs to be more useful.
- Specifically, users perceive that auditor reporting for financial statement audits needs to go beyond the current “pass/fail” or “binary” model of reporting on the audited financial statements. Broadly speaking, users would like the auditor’s report to contain more entity-specific information, and would also like more information about

<sup>2</sup> International Standard on Auditing (ISA) 700, *Forming an Opinion and Reporting on Financial Statements*

the audit performed. The availability of additional information across these two broad areas is seen as important to investor decision-making.

### **Identification of User Needs Relating to Auditor Reporting**

- The current auditor reporting model aims to satisfy the common needs of a wide number of users for assurance reporting on financial statements available for general use. An area of challenge is to better understand users' needs in relation to auditor reporting to determine how those needs may best be satisfied, including how auditors can best be involved in meeting those needs.
- There are likely to be different views among different classes of users of audited financial information about what can be done to enhance auditor reporting. The voices of investors, and more particularly institutional investors, are most prominent in the current debate on auditor reporting. Although the views of investors indicate the need for change, more clarity is needed about the precise nature of changes that investors and other user groups perceive would improve or enhance auditor reporting.

### **Information Concerning the Audit of an Entity's Financial Statements**

- The current debate on auditor reporting includes exploring ways to provide more information about the audit of an entity's financial statements<sup>3</sup>, in particular more specific information about the audit procedures and basis for the auditor's conclusions rather than more generic information about the nature of an audit.
- The extent to which such information can or should be provided within the auditor's report on the financial statements is a matter of debate. Provision of information about the audit performed could, for example, be provided by those charged with governance of an entity, in line with their general responsibilities for oversight of the financial reporting process and disclosure of relevant information to external parties, including investors.

### **Information Concerning the Audited Entity**

- Currently, auditor reporting for financial statement audits is focused on the provision of the independent auditor's opinion on whether the financial statements are presented in all material respects in accordance with the applicable financial reporting framework.
- Some financial statement users would like the independent auditor's report to address wider aspects of the audited entity's financial statements, for example identification of any areas of the entity's financial statements characterized by higher levels of

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<sup>3</sup> Examples of disclosure of information about the audit performed do exist at national level, for example in France, where relevant law requires the auditor to substantiate the auditor's opinion on the financial statements by describing the auditor's judgments for key areas of the financial statements within the auditor's report.

<sup>4</sup>, and consider that such reporting can be done in conjunction with the auditor's reporting for the financial statement audit.

- Under existing assurance standards, auditors are able to provide assurance on a range of information that might be provided by corporate entities, whether for internal use only or for wider distribution to external users. The type of auditor reporting that is appropriate depends on a variety of factors, including the nature of the subject matter, the availability of suitable criteria for the presentation of information about the type of subject matter, and whether the subject matter information as presented by the entity is intended for either a general purpose or a specific purpose.
- Management and those charged with governance of an entity are ultimately responsible for determining the nature and scope of an entity's information disclosures, either to investors or to other external parties in the context of the applicable financial reporting framework or other statutory obligations for disclosure of information. However, auditors could be in a position to report on information disclosures by management or those charged with governance, to the extent that there is clarity about the nature and scope of an entity's reporting obligations to external parties.

### **Recommendations**

- The Working Group believes that, while there is sufficient information available in certain jurisdictions pointing to the need to further explore the possibility for change in auditor reporting (mainly Europe, the United Kingdom, and the United States), there is a lack of specificity about what sorts of changes would improve auditor reporting and how such changes and associated improvements might be realized.
- The Working Group believes the current debate on auditor reporting, and auditor communications more widely, is conducive to further exploring users' views about possible changes to the current auditor reporting model. Accordingly, the Working Group recommends following a strategy of targeted consultation in 2011. The objective of this consultation would be to obtain better clarity about the nature and extent of the problems that are perceived to exist, and about the nature and scope of possible responses to the expressed desire of users of financial statements for additional information about the audit process and the audited entity.
- The Working Group also recommends that a broader response should include a strategy aimed improving users' understanding of the meaning of an audit, and about the auditor's responsibilities. Users are largely uninformed about how audits are performed, and about what underpins the auditor's opinion on the financial statements. In some part, requests for change in auditor reporting also go beyond the boundaries of what auditors can or ought to do in reporting on financial statements, and it is evident that users are often simply unaware of those boundaries.

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<sup>4</sup> For example, reporting by the auditor on the sustainability of the entity's business model, or on the quality of the entity's processes for identification and management of risk (see Table 2 of this paper for further examples).

The Working Group believes this strategy would establish a sound informational basis for the IAASB to be able to evaluate whether any standard-setting projects need to be commenced beginning in 2012, as part of the IAASB’s ongoing strategic initiatives aimed towards development of high-quality auditing and assurance standards. Such projects could include a project to further develop the current auditor reporting model for financial statements set out in ISAs 700, 705<sup>5</sup> and 706,<sup>6</sup> and/or projects to develop auditor reporting for other types of subject matter.

### III. Background

#### CONTEXT

7. The Working Group’s consideration of issues pertaining to auditor reporting in the course of its activities to date has been wide ranging, recognizing that financial statement audits and the auditor’s report are one element in the wider corporate reporting model encompassing financial statements and other forms of corporate information disclosure. The Working Group’s experience is that any discussion of auditor reporting inevitably raises issues and questions about the wider corporate reporting model.
8. As much as it is evident to the Working Group that changes in auditor reporting alone are unlikely to address the range of issues users appear to be raising about the usefulness of corporate reporting in the current environment, it is also clear to the Working Group that there is scope to examine more closely a number of issues specific to auditor reporting and auditor’s reports. Accordingly, the issues presented in this Paper are intended to focus, as much as possible, on matters specific to auditor reporting. The Working Group recognizes, however, that any exploration of avenues to address the perceived information needs of different types of users of financial statements would more appropriately be done as part of a broader response aimed at improving the usefulness of corporate information disclosures.
9. Given its mandate as an international auditing standard setter, there is a lead role for the IAASB in policy debates on auditor reporting and auditor’s reports. Those debates recognize the public interest nature of auditor reporting, and that confidence in audits and auditor reporting is important to maintaining a sound financial reporting infrastructure. Equally, the perspectives contributed in those policy debates are integral to the process of developing high quality international auditing and assurance standards.
10. For purposes of moving the discussion on auditor reporting forward, the Working Group has adopted a working assumption of “status quo” concerning the scope of the audit of financial statements. This is not to fail to acknowledge that the contemporary debate does, in some part, contain arguments for a different scope or focus for the financial statement audit. Issues and questions about the effectiveness of the different roles in corporate reporting are very much intertwined, and questions surrounding the value and relevance of audits, the role of auditors, and auditor communications (including auditor reporting) all feature in the mix.

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<sup>5</sup> ISA 705, *Modifications to the Opinion in the Independent Auditor’s Report*

<sup>6</sup> ISA 706, *Emphasis of Matter and Other Matter Paragraphs in the Independent Auditor’s Report*

11. Notwithstanding the existence of this wider debate, the Working Group believes there would be incremental benefit in focusing on a number of issues specific to auditor reporting, with the aim of soliciting views and perspectives of different types of users and other stakeholders in the financial reporting process.
12. Further, in the course of looking at various aspects of the current debate, the Working Group has observed that there continues to be a general lack of understanding about what the audit is, what performing an audit entails, and about the boundaries of the audit. The Working Group believes that the identification of responses to address problems would need to address user education about the nature of an audit.

#### REVISED ISA 700

13. ISA 700 was issued by the IAASB in December 2004, as the result of a revision project commenced in 2002.<sup>7</sup> The key aims identified for that revision project were:

- (a) To increase consistency in auditor reporting between jurisdictions.

The need existed to develop a structure for auditor reporting that would encourage greater harmonization of auditor reporting internationally. The two-part auditor's report established in extant ISA 700 facilitates auditor reporting that accommodates both reporting on the basis of having performed an ISA audit, as well as on any national requirements that may exist for the auditor to report on other matters within the auditor's report on the financial statements (referred to as "other reporting responsibilities" in ISA 700).

- (b) To increase the clarity and understandability of the auditor's role and of the auditor's report.

Key goals were to establish guidance on the form and context of the auditor's report to enhance the clarity and understandability of the auditor's report, including avoiding use of "coded" words, while also aiming for the report to be as concise as possible.

14. At the time the ISA 700 revision project was undertaken, the aims described above were those the IAASB considered most pressing. In the last few years, however, it has become increasingly apparent that further work is needed to enhance the usefulness of auditors' reports for users of audited financial information. Research reports published in 2009<sup>8</sup> for four research projects commissioned jointly by the AICPA's Auditing Standards Board (ASB) and the IAASB provided insights into user perceptions of the standard unqualified auditor's report under ISA 700. Key messages distilled from those research studies and other contemporary sources of information on auditor reporting revealed broad user perceptions that:

- Auditor's reports are highly valued for the independent auditor's opinion on the financial statements; however, the usefulness of auditors' reports beyond signaling the outcome of the audit (a clean vs. a modified opinion on the audited financial statements) would appear to be very limited; and

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<sup>7</sup> <http://www.ifac.org/IAASB/ProjectHistory.php?ProjID=0013>

<sup>8</sup> <http://www.ifac.org/IAASB/ProjectHistory.php?ProjID=0095>

- Users want auditors' reports to have greater communicative and information value about both the audit performed and the audited entity, including information about the quality of the entity's financial statements.

#### PERSPECTIVES DEVELOPED BY THE WORKING GROUP

15. The Working Group's focus has been on developing an understanding of issues surrounding users' perceptions of the usefulness of the standard auditor's report including the nature of the "information gap" that users perceive to exist; and also on considering whether there may be scope to:
  - (a) Enhance the communicative and informational value of the standard auditor's report for users; and
  - (b) Further develop other types of auditor reporting in relation to corporate financial reporting, where that is thought to be possible, to enhance the value of auditor reporting to users of corporate financial information.
16. On a preliminary basis the Working Group is of the view that there is scope to explore the further development of auditor reporting to better address user needs, in both of the ways mentioned in paragraph 15, subject to further consultation to obtain greater understanding about:
  - (i) Specific types of communication and information that would enhance the value of auditor reporting for users; and
  - (ii) How such communication and information might be provided by participants in the corporate reporting supply chain, including auditors, for the benefit of users,
17. The Working Group recognizes, however, that while the prospect of further exploring these areas is important, it is also a significant challenge. While some things might be more achievable in a medium-term, other initiatives are likely to be more wide-ranging and require action by other participants in the corporate reporting process, and are therefore longer-term endeavors. The Working Group presents some preliminary recommendations in section IV of this paper for the IAASB's consideration.
18. The remainder of this paper sets out the Working Group's assessment of:
  - (a) Problems identified in the current corporate financial reporting environment relating to auditor reporting;
  - (b) Preliminary proposals for exploring ways to enhance auditor reporting to better address user needs; and
  - (c) A tentative strategy for the IAASB to progress development of a response to the identified problems, incorporating the results of an IAASB consultation, and to explore ways to further develop the auditor reporting model that can subsequently be reflected in the IAASB's standards, should the IAASB believe that to be an appropriate course of action after due consideration.

#### **IV. Analysis of User Needs Relating to Auditor Reporting**

##### PROBLEM IDENTIFICATION

19. From an analysis of available information about user needs in relation to auditor reporting, the Working Group has identified that the core problem at issue is that users would perceive auditors' reports as being more useful if they went beyond the current auditor reporting model (described as a "pass/fail" or "binary" model). As to the content of the auditor's report, users express a clear preference for there to be less "boilerplate" in the report.
20. There appear to be two areas where users believe there is greatest need for more information:
  - (a) Information about the audit performed (that is, the audit process itself); and
  - (b) Information about the audited entity, including its audited financial statements.

The auditor is seen as having access to a great deal of information about an audited entity through the audit performed on the entity's financial statements, which users believe should be used by the auditor for more informative reporting about the audited entity, and about the entity's financial statements and other financial reporting disclosures. For example, through the financial statement audit, auditors gain insights into the judgments made by management in preparing the financial statements. The present audit model contemplates that the auditor will communicate (including, in some jurisdictions, further reporting) with those charged with governance as needed on matters pertinent to the financial statement audit. It does not contemplate auditors reporting more widely, for example to external users, on matters communicated to those charged with governance.

21. Users also note that, while the only observable outcome of the audit is the auditor's opinion on the financial statements as a whole, a lot more goes on "behind the scenes" in an audit that users believe would be helpful for their own decision-making. They consider that having more information about the audit performed would enable them to better understand the quality of the audit performed. It would also provide them with better insight into the quality of the financial information the entity provides which they would be able to leverage in their own decision-making.

##### *Identifying Users and their Views on Auditor's Reports and Audited Financial Information*

22. Investors (particularly institutional investors) and financial analysts are the most vocal classes of users expressing views on auditor reporting. Accordingly the problems identified above largely reflect these users' views about auditor reporting and auditor's reports in the context of their use of corporate financial reports.
23. These users perceive a lack of information coming through in the corporate reporting model, or an "information gap" on things they need to know for their decision-making. This gap extends to information that they believe auditors are in a position to provide, and they see a larger role for the auditor of an entity's financial statements in meeting their information needs. In particular, many investors call for a model of auditor reporting that is

more flexible as to the content of the auditor’s report, and that is also more entity-specific and less standardized (that is, in their view, less boilerplate).

24. A general caveat to the Working Group’s problem identification outlined above, however, is that the Working Group has so far found it challenging to determine whether the “information gap” identified by certain users extends to the needs of users more widely. The Working Group sees an immediate challenge in understanding how representative those voices are of the needs of investors and financial analysts more widely and also whether other types of users of audited financial reports share the same views. Due to the fact that there are different users of financial statements it is quite possible that users’ needs concerning auditor reporting will differ, and perhaps markedly.
25. The Working Group has observed views and opinions from some users in the contemporary debate on auditor reporting that, while perhaps less vocal, express overall satisfaction with the current model of auditor reporting. Users expressing this view confirm that the current reporting model works well because it provides the most important information users want from the independent auditor concerning an entity’s financial statements, and does so in a clear and effective way that can be readily understood by a wide range of users.
26. Accordingly, it will be important to further understand whether the problems outlined above exist only (or mainly) for capital market participants (including investors and financial analysts), or whether they are shared by other types of users. For example, lenders and users of audited financial information of SMEs that do not have public reporting obligations may view their needs in relation to auditor reporting somewhat differently from investors. The views of other participants in the financial reporting supply chain, including preparers and those charged with governance, are also important.
27. In the context of capital markets and listed entities, investors and financial analysts are among the most important users of the auditor’s report and audited financial statements, and the Working Group sees the need to obtain more specific information from them about their needs. Other types of investor voices (for example, investors whose interests are in holding longer-term investments rather than active investment trading) have to date featured less strongly in debates on auditor reporting. Conceivably their needs may also differ somewhat from those of investors who are active traders.
28. In summary, evidence exists to indicate that certain users believe the current auditor reporting model does not provide the communicative value that they desire, or that they perceive to be possible based on the current scope of the financial statement audit. However, there is some indication among users, albeit perhaps more of a contrary view rather than the predominant view among the voices in the debate, that auditor reporting as currently performed does meet important user needs. The existence of these differing views about auditor reporting leads the Working Group to believe that a wider cross-section of user views should be explored to more fully understand the nature and scope of problems concerning auditor reporting, and to be able to develop appropriate responses to attempt to address them.
29. Subject to the above caveat, which is seen as a significant one, the Working Group believes that possible responses to address these problems and issues in auditor reporting should be developed for further consideration.

*The Current Model of Auditor Reporting—the Auditor’s Opinion*

30. The auditor’s report under ISA 700 follows a structured model of reporting that focuses on communication of the auditor’s opinion on the financial statements in a clear and unambiguous way. The opinion is communicated in a way that signals (in simple terms) either a “clean” (unqualified) audit opinion or a modified audit opinion.
31. This model of reporting aims to serve all classes of users without differentiation<sup>9</sup> of their individual needs and purposes. The relative simplicity of this model has, largely speaking, enabled achievement of the key aim of clearly and effectively communicating the auditor’s opinion on the financial statements in a manner that all users can understand.<sup>10</sup>
32. Some countries have national requirements for auditor reporting as well, and so the auditor’s opinion on an entity’s financial statements is often accompanied by other opinions or statements by the auditor that are required within the auditor’s report under applicable law or regulation (which are termed “other reporting responsibilities” in the ISAs). Also, a few countries have developed extended auditor reporting models, for example:
  - A “two-tier” auditor reporting model, where certain users receive long-form auditors reports and others receive the standard short-form report where the focus is on the auditor’s opinion only (Germany); and
  - Requirements for auditors to explain their judgments made in key areas of the audit of an entity in the public auditor’s report (France).
33. Other countries require auditor reporting under an integrated audit model, where the auditor undertakes the required audit of an entity’s financial statements and also additional work effort or procedures to support other auditor reporting/auditor opinions in connection with the auditor’s report on the financial statements, for example reporting on the effectiveness of internal controls (for example, France and the U.S.).
34. Another example of a national initiative is the recent change agreed in the United Kingdom aimed at reducing “boilerplate” in the auditor’s report, by permitting auditors to omit certain previously required content from the auditor’s report itself. That content may be replaced by a reference to where the relevant information (for example, on the nature and scope of the parties to the audit engagement) can be found on the website of the Auditing Practices Board.
35. In the current auditor reporting model, a qualified audit opinion ordinarily entails significant consequences for the entity receiving it, and particularly so for public entities. Accordingly the scenario of giving a “qualified opinion” is sometimes viewed as the auditor’s “nuclear option,” which any entity would strongly want to avoid given the associated adverse consequences. The benefits of this model should not be underestimated – it strongly enforces the need for an entity to respond to auditors’ issues or concerns about areas of the financial statements which, if not addressed by the entity satisfactorily, could result in the auditor providing a qualified opinion

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<sup>9</sup> Described as “an audit is an audit” in relation to the audit model.

<sup>10</sup> ISA 700.04 describes the aim of the ISAs 700 model as being to promote consistency in the auditor’s report. “Consistency in the auditor’s report, when the audit has been conducted in accordance with the ISAs promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the user’s understanding and to identify unusual circumstances when they occur.”

on the financial statements as a whole. Users appear to understand its overall benefits in that corporate entities ordinarily devote significant effort to ensuring that their corporate financial statements do not receive a qualified audit opinion, which incentivizes better quality financial reporting.

36. A question that the Working Group has considered, but is not as yet able to properly assess, is whether investors and financial analysts reject the relevance or usefulness of the so-called “pass/fail” model of auditor reporting outright. Or is it they simply believe that it is not, of itself, adequate for their needs and therefore, in order to remedy that, the auditor’s report would need to convey more information. Also, would other types of users hold a different view about the importance of the auditor’s opinion alone for meeting their needs?
37. The Working Group recognizes also that the challenge of meeting users’ needs in a uniform auditor reporting model increases significantly in conditions where users’ needs regarding auditor reporting differ markedly. The greater that variability, the more challenging it is to meet user needs through a common model. Accordingly, the question of whether the common reporting model in use today should be continued in the future also becomes relevant if the needs of certain types of users achieve overall prominence in the debate.
38. This aspect of the problem has previously been highlighted by IAASB Consultative Advisory Group (CAG) representatives, when the Working Group presented to the CAG in March 2010. The Working Group welcomes the IAASB’s views on this issue and about how best to gain an understanding of views on auditor reporting held by different types of users.

#### *Conclusion on Problem Identification*

39. The Working Group believes that the problem identification set out above signals that there are issues sufficiently important to the continued relevance and usefulness of auditor reporting to warrant the development of appropriate responses. In the course of developing those responses, the Working Group recognizes that there may be need to consider responses that could result in a need to undertake standard-setting projects in future to further develop auditor reporting in the context of the IAASB’s international auditing and assurance standards.
40. The Working Group recommends that, because of the fundamental importance of auditor reporting to a wide variety of users that extends beyond capital market participants, there should be a wider consultation at an early stage to obtain better information that is more representative of the interests of users across the board. Obtaining this contextual information will be needed to drive the IAASB’s considerations going forward. If any significant changes were to be developed for consideration, the impact of such changes would need to be able to be assessed across all significant groups that would be affected.
41. In developing its further recommendations in section V, the Working Group takes the view that a key initiative will be to obtain wide feedback and reactions to the Working Group’s assessment of issues and preliminary views and proposals set out in this Paper.

#### **Matters for IAASB Consideration**

1. Does the IAASB have a view on the broad problem identification set out above?

2. Does the IAASB agree with the Working Group’s view that the identified problems warrant development of a strategic approach to addressing them, including consideration of possibly ways to better meet user needs in relation to both:
  - (a) The standard auditor’s report, and
  - (b) Auditor reporting more broadly, including reporting by auditors in contexts other than the auditor’s report on financial statements?
3. Does the IAASB have a preliminary view on whether the current model of auditor reporting should continue, with common approach to reporting the auditor’s opinion on the financial statements to achieve consistency in how that is done for all types of entities (even if the auditor’s report were to possibly change in some other respects such as, for example, disclosing information about the audit performed)?

#### USERS’ INFORMATION NEEDS

42. The Working Group’s deeper analysis of user needs for more information for their own decision-making reveals a broad desire for better external information disclosures by:
  - (i) Corporate entities, in reporting information of relevance to users (information disclosure and reporting needs to be wider, covering more than the information presented as part of the financial statements); and
  - (ii) Audit committees, in making information available to users about the audit performed of the entity’s financial information; and
  - (iii) Auditors, in their reporting on their audit performed and the results of their audit of an entity’s financial statements.
43. As noted above, the desired information can broadly be categorized as a need for information about the audit performed, and a need for information about the audited entity. Tables 1 and 2 in this paper (at paragraphs 50 and 60 respectively) set out more detail about areas cited in the various sources of information explored by the Working Group, as those that users appear to most want addressed.
44. From the auditor’s perspective, there are a variety of ways that reporting can be approached in developing responses to different needs. The available “toolbox” of reporting options can be viewed as a basis for considering types of responses that might best suit different reporting scenarios and situations.
45. Based on current practice, auditor reporting can take a number of forms. These include reporting opinions or conclusions based on performance of an audit or assurance engagement, or other reporting where the auditor does not report any opinion or conclusion, for example a report of factual findings under an engagement to undertake certain agreed-upon procedures. Auditors are also often required under law or regulation of certain jurisdictions to include in their report a statement on other matters, or to report on certain matters by exception.
46. When considering the appropriate form of reporting by an auditor for any particular subject matter, there needs to be careful consideration of factors such as whether the desired form

of report is one that auditors can in fact provide, and also whether that form of report is likely to meet the needs of the intended users of the relevant subject matter information.

47. The intended users of any subject matter information may be either general or specific users, and “non-assurance” forms of reporting may not be suitable for general users of financial information. This is not only because of the need to establish the nature and scope of work done by the auditor as the basis for reporting with some specificity that would need to be agreed between the auditor and users of the auditor’s report (such as in the case of agreed-upon procedures), but also because of the significant risk there is for further expectations gaps to arise if users are not fully aware of, or do not appreciate, the limitations of the scope of the auditor’s reporting.
48. The subsections of the Paper that follow summarize the Working Group’s understanding of main areas where users (mainly investors and financial analysts) have indicated that they would like to have auditors’ involvement in providing additional information.
49. Although the responses are mainly drawn from investors and financial analysts in certain jurisdictions, the Working Group notes that the views of SMEs and their auditors, and users and auditors of financial statements in the public sector, may have particular bearing on the way forward. Such views are not yet as apparent to the Working Group. Furthermore there may be differing views between jurisdictions or perhaps depending on the accounting framework that is used in the financial statements. The Working Group plans to proceed in a way that enables such perspectives to emerge, while recognizing that the established perspectives from investors and financial analysts carry significant weight.

*User Needs for Information about the Audit Performed*

50. Various studies, surveys, consultations and discussions performed in recent years point to users wanting more information to be able to better understand both the quality of the audit performed, and also the quality of the entity’s financial reporting as reflected in the audit performed.
51. It would seem that users (particularly investors) would, in both cases, use information about the audit performed to enhance their own decision-making. For example, if users knew about the level of materiality applied by the auditor that would give them some indication about the “precision” of the audit, or if they knew which areas of the financial statements required the auditor to exercise greater degrees of judgment to verify account balances or the measurement of significant transactions, that information would be considered useful.
52. The following table (Table 1) summarizes areas that the Working Group was able to identify from the available information, as being those that users appear to most frequently cite as areas where they would like to know more about the audit performed for an entity’s financial statements:

**Table 1: Information Cited by Users as Information Needed about the Audit Performed**

1.	<p><b>Key audit issues encountered during the audit of the financial statements</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• Significant estimates or judgments made by management of the entity in the financial statements, and the auditor’s procedures regarding them</li> <li>• Financial statement measurements or disclosures where there is significant risk exposure or estimation uncertainty that affected audit procedures or the auditor’s ability to exercise professional judgment</li> <li>• Changes in significant accounting policies and impact on the auditor’s procedures</li> <li>• Scope of the audit work performed; including with respect to responsibility for fraud detection</li> </ul>
2.	<p><b>Key areas of audit risk identified in the audit</b>          (i.e., the identified risks and the auditor’s response, including areas where risks have increased with respect to the prior period)</p>
3.	<p><b>The auditor’s judgments on the key areas of the financial statements</b>          (e.g., key areas of risk or significant management judgment)</p>
4.	<p><b>The materiality level applied in the audit</b></p>
5.	<p><b>The auditor’s assessment of the entity’s internal control</b></p>
6.	<p><b>Audit findings</b></p> <ul style="list-style-type: none"> <li>• Identified misstatements, whether or not corrected by management</li> <li>• Areas of weakness identified in the course of the audit, including significant deficiencies in internal control</li> <li>• Significant disagreements with management</li> </ul>
7.	<p><b>Key management representations obtained by the auditor</b></p>
8.	<p><b>Any relationships that the firm has had with the audited entity during the period of the financial statements being audited, other than as auditor of the entity’s financial statements</b>          (e.g. in respect of services provided to the entity other than the financial statement audit)</p>

53. The Working Group has given only very preliminary consideration to the idea that this sort of information which, except for #8 in Table 1, is currently not publicly disclosed in most countries. In France, auditors are required under applicable law to disclose the information in #3 in Table 1.

54. The Working Group realizes that many questions would need to be explored surrounding the costs and relative benefits of disclosing such information, including questions about:
- The privacy of an entity’s proprietary information.
  - Implications for the audited entity, and for the auditor, if information were to be disclosed concerning the audited entity and/or about the audit performed that, in the current auditing model is confidential, and would not be able to be shared with parties external to the entity, its management or its governing body, by an auditor without the entity’s express written consent.
  - Effects on the effectiveness and efficiency of financial statements audits, including:
    - Whether provision of additional information would make audits more costly, or less cost-effective, for example if significant additional work effort would be needed to be able to make such information available to external parties, or if additional time might be needed to complete an entity’s audit if disclosure of such information were to be made; and
    - The extent to which the confidentiality that characterizes the audit and the auditor’s dealings with the entity is a factor that enables an effective audit (for example, management or those charged with governance of the entity may be less inclined to provide information to the auditor that would be needed for an effective audit if in doing so there is a likely prospect that the information would not remain confidential).
  - Implications for users of having such additional information, including likely impact on user decision-making.
  - Development of mechanisms that could be used to be able to make such information available to users in an appropriate manner (for example, disclosures by the entity or the entity’s audit committee vs. disclosures by the auditor in an audit report vs. other forms of disclosure).
55. Also on a preliminary basis, it is apparent to the Working Group that providing additional information about some items in the list of desired information disclosures could potentially pose other difficulties. For example, disclosing the materiality level applied in the audit may create a false impression to users that auditors are not concerned about, or apply no procedures to, amounts below that materiality level. This could be the cause of particular misunderstanding in relation to audits of large entities, where the auditor’s materiality level can be a very large number in absolute monetary term.
56. Further, some types of information listed in Table 1 would seem to more properly be in the realm of the responsibilities of management or those charged with governance of the entity, rather than a responsibility of the auditor of the entity’s financial statements. Requiring auditors to disclose information that should more appropriately be provided by the entity itself would be a significant change to the current auditor reporting model.
57. If information might be able to be provided by the auditor within the auditor’s report (for example in the case of #3, which currently forms part of the auditor reporting model followed in France), there would be challenges in keeping the auditor’s report to a manageable length; many users currently express a preference for a concise auditor’s report. If more information

were included in the standard auditor’s report, presumably entity-specific information presented without “boilerplate” would increase its overall usefulness.

**Matters for IAASB Consideration**

4. What is the IAASB’s view about whether the types of information or disclosures listed in Table 1 above could, or should be, disclosed publicly, for example either by:
  - The auditor, or
  - Management or those charged with governance of the entity?
5. Does the IAASB agree that further consideration of whether disclosures in the areas listed in Table 1 would need to include a cost-benefit analysis to be able to assess whether the expected benefits of disclosure in each area might be expected to exceed likely costs associated with such disclosures?

*User Needs for Information about the Audited Entity*

58. Users also consider that auditors have a role in providing information about the entities whose financial statements they audit. While investors do understand that the communication of information about the entity is a preparer responsibility under whatever financial reporting and disclosure regimes exist in individual jurisdictions, they see a role for auditors to provide an “independent auditor view” in key areas of disclosure. Some of these areas are ones where disclosure frameworks currently exist (e.g., on effectiveness of internal controls), while others are areas where corporate reporting frameworks either do not exist or are not sufficiently well-developed for general use, including for independent reporting purposes (e.g., sustainability of an entity’s business model).
59. Table 2 below summarizes areas that the Working Group has identified from the available information as being those that users seem to most frequently cite as areas where they would like to have the auditor’s involvement in some form, providing an independent view.
60. The desired information disclosures concerning entity processes and outputs of those processes are largely non-financial information disclosures, not typically disclosed in a structured way for external presentation purposes, and for which there is ordinarily little or no auditor involvement. Exceptions are some types of information disclosures undertaken predominantly by regulated entities in the financial services sector following frameworks established by regulators for those reporting purposes (e.g., reporting on risk management processes and risk exposures assessed in accordance with such frameworks).

**Table 2: Information Cited by Users of Audited Financial Information as Information Needed about the Audited Entity**

1.	<p><b>Sustainability of the business model</b></p> <ul style="list-style-type: none"> <li>• Information about key risks and stress-testing of the entity’s viability under different operating and risk scenarios</li> <li>• Quality of information presented in narrative form/as forward-looking information</li> </ul>
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	about the entity
2.	<b>Risk strategy</b> <ul style="list-style-type: none"> <li>• Quality of processes for risk identification and risk management</li> </ul>
3.	<b>Quality of governance</b> <ul style="list-style-type: none"> <li>• Quality of the entity’s management</li> <li>• Effectiveness of the entity’s corporate governance</li> </ul>
4.	<b>Quality of an entity’s financial reporting processes</b> <ul style="list-style-type: none"> <li>• Matters communicated/identified for the entity’s audit committee pursuant to the entity’s financial statement audit</li> </ul>
5.	<b>Quality of internal controls</b> <ul style="list-style-type: none"> <li>• Effectiveness of internal control over financial reporting</li> </ul>

61. As noted in paragraph 43, auditors currently do or are able to engage in various types of reporting across these areas ranging from assurance services (where suitable criteria exist for measurement of subject matter information against established frameworks or benchmarks), to reporting without any assurance.
62. Drivers for the provision of such additional information are ordinarily the existence or establishments of regulatory mechanisms that require mandatory additional information disclosure as part of a regulatory disclosure framework, for example reporting on the effectiveness of an entity’s internal controls, or on an entity’s risk management processes (for financial services entities in accordance with specified disclosure frameworks). Such additional information disclosures may be the subject of auditor reporting, either a mandatory or a voluntary basis.
63. Depending on who the intended users are of any auditor reporting done with respect to such additional disclosures, different types of reporting requested or required from an entity’s auditor may be:
  - A separate report produced for either specified or general users as a by-product of the financial statement audit (with little or no additional work effort associated with such reporting);
  - An “extended scope” financial statement audit (with additional work effort supporting additional reporting); or
  - A separate reporting engagement for which either an assurance report or another type of report (e.g., report of factual findings) is to be provided.
64. There are many established precedents for auditor reporting on different subject matters which, under appropriate circumstances, mean that an auditor is able to report on that information disclosure in ways that enhance the credibility of those disclosures for external users. Subject to development of appropriate disclosure frameworks that establish acceptable ways to deliver structured presentation of information for use by either general

or specific users, auditor reporting may be combined with such information disclosure in different ways to be of benefit to the intended users of those disclosures.

#### **Matters for IAASB Consideration**

In relation to the Working Group's analysis of problems with auditor reporting as reflected under the broad heading of 'user needs':

6. Does the IAASB agree with the Working Group's view that a platform is needed to facilitate interaction with different types of users of auditors' report, to be able to explore various approaches going forward?
7. Does the IAASB support the Working Group's proposal to undertake a wide consultation at an early stage, with a view to soliciting views of different types of users of audited financial information, an essential part of establishing that platform?
8. Does the IAASB have a view on whether some form of categorization of users may be needed for the purpose of considering how auditor reporting might be developed further to best address user needs? Is there benefit in looking at auditor reporting through the lens of corporate reporting undertaken by different classes of entity (e.g., public entities vs. private/smaller entities), to be able to identify where appropriate solutions lie and develop possible approaches for discussion as part of the proposed consultation initiative?

#### **V. Recommendations and Proposed Strategy**

65. The Working Group believes the current environment of debate on auditor reporting, and auditor communications more widely, provides scope to test thinking about whether and how the current auditor reporting model might be further developed to enhance its usefulness for users, and to test user reactions to different auditor reporting models that encompass possible responses to user information needs.
66. Based on available information, the Working Group believes there is sufficient preliminary information to guide the exploration of ways to develop the auditor reporting model along more useful lines, while preserving the strengths of the current auditor reporting model.
67. The Working Group's analysis of the issues and problems illustrated in the current debate, and areas where possible solutions might lie to enhance the usefulness of auditor reporting can be shown visually in the following diagram.

<b>Auditor Reporting</b>	
<b>PROBLEM IDENTIFICATION</b>	<p><b>Increase usefulness of the auditor’s report for a financial statement audit</b></p> <ul style="list-style-type: none"> <li>• Relevance of binary reporting model (“pass/fail”)</li> <li>• Reports need to be                             <ul style="list-style-type: none"> <li>– more informative</li> <li>– more communicative</li> </ul> </li> <li>• Reduce/minimize boilerplate content in reports</li> </ul>
	<p><b>Usefulness of the auditor’s report—for which users?</b></p>
	<b>ENHANCED AUDITOR REPORTING</b>
	<p><b>Auditor’s opinion on the financial statements</b></p> <p style="text-align: center;">+</p>
	<p><b><i>More information about the audit performed</i></b></p> <ul style="list-style-type: none"> <li>• Explanation of the audit performed (i.e. what the audit entailed/how performed)</li> <li>• About the audit of the specific entity (i.e. audit results/findings incl. in key areas)</li> <li>• Additional reporting based on expanded scope of the financial statement audit (additional work effort?)</li> </ul>
	<p><b><i>More reporting/more information in the auditor’s report about the audited entity</i></b></p> <ul style="list-style-type: none"> <li>• Expand auditor’s report on financial statements (auditor’s opinion +)?</li> </ul>
	<p><b><i>Additional reporting on further disclosures/ reporting by others (management and those charged with governance)</i></b></p> <ul style="list-style-type: none"> <li>• In addition to/separate to the auditor’s report on the financial statements</li> </ul>

PROPOSED STRATEGY

68. As noted earlier in this paper, there is presently a great deal of debate on auditor reporting happening through other channels, and most apparently on a regional basis within Europe, the U.K., and the U.S. Some other countries outside these regions have also signaled their inclination to further explore issues concerning auditor reporting, for example Australia and Hong Kong.
69. The IAASB has not as yet undertaken a consultation initiative on auditor reporting.<sup>11</sup> In view of the level of public debate, the question arises whether the IAASB should carry out a consultation, or whether there is sufficient information already available.
70. The Working Group has considered the available information in order to understand where problems appear to lie with auditor reporting, and also with a view to identifying whether solutions can be identified. While the available information has served reasonably well to identify problems that seem to be apparent, the Working Group is conscious of the need to obtain reactions and views on more specific proposals for possible solutions to identified problems as a basis for proceeding further.

<sup>11</sup> The IAASB Working Group’s activities to date have largely focused on analysis of the available information, including information obtained through the IAASB/AICPA ASB research initiative on auditor reporting completed in 2009.

71. A targeted consultation with a focus on some specific areas and proposals carried out with the IAASB's own standard-setting perspectives in mind would provide an advantage not only for further development of proposed solutions, but also for the commencement of any standard-setting initiatives that might be initiated once the Working Group's recommendations for the IAASB are fully developed.
72. Performing such a consultation at an early stage would be beneficial also because the Working Group is conscious of the need to canvass opinions and views more broadly than has been afforded by the public debate, which has been largely territorially driven. Even though the motivation to explore change is very strong based on information and views originating in Europe, the U.K., and the U.S., there is certainly benefit in obtaining an understanding about whether other views exist, and the nature of them, to better appreciate how a potential program of change in auditor reporting would be received in other countries where these debates are not occurring.
73. Accordingly, the Working Group recommends that a consultation be carried out as a first priority during the first half of 2011, through issuance of a CP coupled with targeted consultation (such as roundtable discussions with users), to precede the Working Group's recommendation of solutions to the IAASB.
74. Publication of a CP by around the first quarter of 2011 will be optimal to be able to capitalize on the high level of public discussion on this topic, and leverage other planned consultations, surveys/discussions that other key stakeholders expect to carry out over the next 12 months.
75. If this consultation initiative were able to be completed by the end of July 2011, that would position the Working Group well to be able to develop specific recommendations for IAASB consideration around possible standard-setting projects regarding ISAs 700, 705 and 706 for consideration in late 2011. The Working Group considers that having the opportunity to explore some specific aspects of possible solution areas through the planned consultation would facilitate development of more targeted project proposals, if initiation of any projects does appear warranted at that point, and would therefore also help to expedite the process of project initiation and commencement.
76. Further, the Working Group recommends the IAASB taking a lead role in wider debates surrounding expanded corporate information disclosures and developing scope for expanded audit or assurance reporting relating thereto is a further critical element of the ongoing dialogue. IAASB participation in that dialogue will be critical to the longer-term development of auditor reporting in context of the corporate reporting model.

#### OUTLINE OF PROPOSED IAASB CONSULTATION PAPER ON AUDITOR REPORTING

77. Following from the discussion above, the purpose of the proposed CP would be to seek views and feedback from a wide range of users on:
  - a. Proposals on delivering an enhanced auditor reporting model for financial information disclosure (including auditor reporting on financial statements);
  - b. Areas of strongest agreement about where the current auditor reporting model can be changed or leveraged to enhance its usefulness for a wide range of users; and

- c. Alternative presentations of auditors’ reports that might be considered to be able to achieve better informational and communicative value in auditor reporting on financial statements (including a presentation, on a trial basis, of models of auditors’ report that reflect information specific to the audited entity and/or information specific to the audit performed).
78. An outline of the proposed Consultation Paper and timeline for its development is provided below in Table 3.

**Table 3: Outline of Proposed Consultation Paper on Auditor Reporting**

<p><b>Purpose</b> (as outlined in this Issues Paper)</p> <p><b>Problem Definition</b></p> <ul style="list-style-type: none"><li>• Set out problems as identified by IAASB Working Group and request respondents’ comments on the problem identification, including asking them to validate the issues identified or to raise additional issues if not covered by the problem identification.</li></ul> <p><b>Proposals for Enhanced Auditor Reporting</b></p> <ul style="list-style-type: none"><li>• Set out the Working Group’s assessment of different response strategies and ask respondents to comment about whether, in their view, each of those responses would enhance auditor reporting including pointing out their perceptions of associated costs, benefits and also wider impacts for the financial reporting and information disclosure model as it currently exists.</li></ul> <p>For example:</p> <ul style="list-style-type: none"><li>• Inclusion of information about the audit performed in the auditor’s report (see Table 1);</li><li>• Expanded auditor reporting on the basis of the financial statement audit performed, in conditions of either (a) no additional work effort or (b) additional work effort as the basis for providing additional opinions (see Table 2);</li><li>• Expanded auditor reporting on specific areas, separately and in addition to reporting on the financial statement audit performed (see Table 2); and</li><li>• Alternative auditor report formats, e.g., opinion-only reports; long form vs. short form (extant ISA 700); addressing essential or contextual context that is perceived as “boiler-plate;” structuring reports to enhance clarity of presentation of the opinion provided on the financial statement vs. opinions provided on other areas/matters, and additional information disclosure about the audit performed.</li></ul> <p><b>Models for Auditors’ Reports</b></p> <ul style="list-style-type: none"><li>• Provide 4–5 models of auditors’ reports illustrating how the Working Group’s proposals for different responses (as noted above) could be presented, to obtain respondents reactions to those models and their other suggestions for further consideration.</li></ul>
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**Issues Arising with Expanded Auditor Reporting**

- Solicit views on what main issues would need to be addressed to facilitate enhanced or expanded auditor reporting along the lines of the proposals outlined in the paper, for example:
  - Implications for preparers; users; auditors; regulators
  - The types of arrangements that can be or would need to be developed to facilitate expanded reporting (including changes to the corporate financial reporting and disclosure model, encompassing development of disclosure frameworks that have wide acceptability; addressing auditor liability issues to provide appropriate safe-harbors)
  - Areas that pose difficulty, including cost implications (e.g., increased costs for preparers – directly and indirectly)
  - Issues of accountability, and also capacity and competence: which parties are best positioned to make disclosures for users; and which parties are best positioned (including considerations of capacity and competence) to engage in independent reporting on those disclosures for the benefit of other parties.

**Anticipated Timeline:**

- Development of CP in December 2010/January 2011
- Draft CP circulated to IAASB for comment in February 2011
- CP circulated for approval at March 2011 IAASB meeting

79. On a tentative basis, and subject to the views of the IAASB, the CP could be released with a 60– or 90–day response period. Ideally, if released in April 2011, the Working Group would be able to present a report to the IAASB on the completed consultation at the IAASB meeting in September 2011.
80. Following this, if the results of the consultation indeed point to the need to initiate standard-setting projects on auditor reporting, then it should be possible to time development of project proposals for December 2011.
81. The Working Group recognizes that it is a somewhat aggressive timeline for a consultation to be completed by Q3 of 2011. However, other IAASB consultations have been able to be completed in a similar timeframe. This timeline is optimal to be aligned with other contemporary initiatives being undertaken within the 2011/2012 timeframe.
82. The availability of an IAASB CP on the topic would enable the Working Group to also leverage opportunities to carry out targeted consultation with key stakeholder groups. The Working Group considers that getting access to groups that are representative of key users (investors, lenders and shareholders/owners) during the 2011 consultation period (e.g., roundtables or focus groups) will hold considerable benefit.
83. The Working Group did not think it appropriate to develop any preliminary planning for 2012 and beyond as it is very much of the view that more detailed project planning should be done with the benefit of having the results of a broader IAASB consultation effort. That

will provide the background and impetus that the Working Group sees necessary to be able to crystallize its thinking and perspectives expressed in this Paper in the form of more detailed plans.

#### CONCLUSION ON PROPOSED STRATEGY

84. In summary, the Working Group recommends the following strategy:
- (a) Wide consultation in 2011 on specific areas relating to auditor reporting, including with the IAASB CAG, and publication of the CP coupled with targeted consultation in the April–July 2011 period.
  - (b) The Working Group will use the consultation outcomes to report back to the IAASB at its September 2011 meeting, and present recommendations to the IAASB regarding any standard-setting projects that appear to be warranted at that stage to obtain IAASB feedback.
  - (c) The Working Group will develop or coordinate development of project proposals on IAASB auditor reporting projects (for example, in relation to ISAs 700, 705 or 706) for consideration by the IAASB in December 2011 and/or March 2012.
85. The Working Group seeks the Board’s views on whether this proposed strategy is an appropriate one to advance the IAASB’s efforts in this area in the coming 12 months.

#### **Matters for IAASB Consideration**

- 9. Does the IAASB support the Working Group’s recommended strategy for progressing its work in relation to auditor reporting during 2011?
- 10. Is the timeline for completion of the proposed consultation during 2011 reasonable?
- 11. Does the IAASB have a view on the proposed content and focus of the proposed CP?
- 12. Are there other approaches that the IAASB would recommend the Working Group to consider to achieve wide consultation on an effective basis, in the planned timeframe?
- 13. Does the IAASB believe that the Working Group’s recommended approach and planned activities will lay an appropriate foundation for the consideration of potential standard-setting projects on auditor reporting, once completed?
- 14. Are there alternative approaches that the IAASB would ask the Working Group to consider?

## List of Information Sources Consulted

### Public Discussion Papers, Consultation Papers and Reports

- UK Financial Reporting Council, *Discussion Paper Promoting Audit Quality* (2006), and *Feedback Paper on Promoting Audit Quality* (2007).<sup>12</sup>
- Institute of Chartered Accountants in England and Wales (ICAEW), *Audit and Assurance Faculty. Paper Audit Quality: Fundamentals—Auditor Reporting* (2007).<sup>13</sup>
- UK Auditing Practices Board. Discussion Paper, *The Auditor's Report: A Time for Change?* (2007),<sup>14</sup> and *Feedback Paper on The Auditor's Report: A Time for Change? Discussion Paper* and *APB Future Plans Regarding the Form and Content of UK Auditor's Reports* (2008).<sup>15</sup>
- U.S. Department of the Treasury Advisory Committee on the Auditing Profession, *Final Report* (2008).<sup>16</sup>
- International Federation of Accountants (IFAC), *Report Financial Reporting Supply Chain: Current Perspectives and Directions* (2008),<sup>17</sup> and *Report Developments in the Financial Reporting Supply Chain—Results from a Global Study among IFAC Member Bodies* (2009)<sup>18</sup>
- CFA Institute, *Survey Report Independent Auditor's Report Survey Results* (2010)<sup>19</sup>
- IOSCO Technical Committee, Consultation Paper, *Auditor Communications* (2009),<sup>20</sup> and Report MS05/10 *Comments Received in response to Consultation Reports on Issues Pertaining to the Audit of Publicly Listed Companies: Comment Letters* (2010)<sup>21</sup>
- The Treasury, Australian Government, Consultation Paper *Audit Quality in Australia: A Strategic Review* (2010)<sup>22</sup>
- U.S. Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group Meeting Materials, Staff Papers *Auditor Reporting Model* (2005),<sup>23</sup> *ACAP Committee's*

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<sup>12</sup> <http://www.frc.org.uk/about/promotingauditquality.cfm>

<sup>13</sup> [http://www.icaew.com/index.cfm/route/144970/icaew\\_ga/Technical\\_and\\_Business\\_Topics/Thought\\_leadership/AuditQuality\\_Forum/January\\_2007\\_Auditor\\_reporting/pdf](http://www.icaew.com/index.cfm/route/144970/icaew_ga/Technical_and_Business_Topics/Thought_leadership/AuditQuality_Forum/January_2007_Auditor_reporting/pdf)

<sup>14</sup> <http://www.frc.org.uk/images/uploaded/documents/Web%20Discussion%20Paper%20final.pdf>

<sup>15</sup> <http://www.frc.org.uk/images/uploaded/documents/Feedback%20Paper%20on%20Discussion%20Paper%20The%20Auditor's%20Report%20-%20A%20Time%20for%20Change.pdf>

<sup>16</sup> <http://www.treas.gov/offices/domestic-finance/acap/index.shtml>

<sup>17</sup> <http://web.ifac.org/media/publications/9/financial-reporting-supply/financial-reporting-supply.pdf>

<sup>18</sup> <http://web.ifac.org/media/publications/5/developments-in-the-financial-reporting-supply-chain-results-from-a-global-study-among-ifac-member-bodies/developments-in-the-financi.pdf>

<sup>19</sup> [http://www.cfainstitute.org/Survey/independent\\_auditors\\_report\\_survey\\_results.pdf](http://www.cfainstitute.org/Survey/independent_auditors_report_survey_results.pdf)

<sup>20</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCO303.pdf>

<sup>21</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCO337.pdf>

<sup>22</sup> <http://www.treasury.gov.au/contentitem.asp?NavId=037&ContentID=1745>

*Recommendation Relating to the Auditor's Reporting Model (2010)*<sup>24</sup> and *Status of PCAOB-Related Recommendations from the U.S. Department of the Treasury's Advisory Committee on the Auditing Profession (2010)*.<sup>25</sup>

- Institute of Chartered Accountants in Scotland, *Meeting the Needs? User Views on External Assurance and Management Commentary (2010)*.<sup>26</sup>
- ICAEW Financial Services Faculty, *Report Audit of Banks: Lessons from the Crisis (2010)*.<sup>27</sup>
- European Commission, *Green Paper: Audit Policy: Lessons from the Crisis. (2010)*.<sup>28</sup>

### Academic Publications

- Auditing and Assurance Standards Board (AUASB), Research Report by the University of New South Wales and Australian National University *The Impact of New Audit Report Formats on Perceptions and Investment Decision-Making Judgments of Users (2004)*.<sup>29</sup>
- Church, B.K, Davis, S.M and McCracken, S.A., *The Auditor's Reporting Model: A Literature Overview and Research Synthesis (2008)*, Accounting Horizons, Vol. 22 No.1. pp 69–90.<sup>30</sup>
- AICPA ASB/IAASB-commissioned research on user perceptions of the standard unqualified auditor's report. Published reports for four research studies (2009).<sup>31</sup>

### Other

- UK House of Lords Economic Affairs Committee, *Auditors: Market Concentration and Their Role*. Uncorrected oral evidence and Written Evidence provided to the Committee (2010).<sup>32</sup>

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<sup>23</sup> [http://pcaobus.org/News/Events/Documents/02162005\\_SAGMeeting/Auditors%20Reporting%20Model.pdf](http://pcaobus.org/News/Events/Documents/02162005_SAGMeeting/Auditors%20Reporting%20Model.pdf)

<sup>24</sup> [http://pcaobus.org/News/Events/Documents/04072010\\_SAGMeeting/Auditor%27s\\_Reporting\\_Model.pdf](http://pcaobus.org/News/Events/Documents/04072010_SAGMeeting/Auditor%27s_Reporting_Model.pdf)

<sup>25</sup> [http://pcaobus.org/News/Events/Documents/10132010\\_SAGMeeting/ACAP\\_Briefing\\_Paper.pdf](http://pcaobus.org/News/Events/Documents/10132010_SAGMeeting/ACAP_Briefing_Paper.pdf)

<sup>26</sup> [http://www.icas.org.uk/site/cms/download/res/Fraser\\_Users\\_Report\\_April\\_2010.pdf](http://www.icas.org.uk/site/cms/download/res/Fraser_Users_Report_April_2010.pdf)

<sup>27</sup> [http://www.icaew.com/index.cfm/route/172480/icaew\\_ga/Technical\\_and\\_Business\\_Topics/Thought\\_leadership/Inspiring\\_confidence\\_in\\_financial\\_services/Audit\\_of\\_banks\\_lessons\\_from\\_the\\_crisis/pdf](http://www.icaew.com/index.cfm/route/172480/icaew_ga/Technical_and_Business_Topics/Thought_leadership/Inspiring_confidence_in_financial_services/Audit_of_banks_lessons_from_the_crisis/pdf)

<sup>28</sup> [http://ec.europa.eu/internal\\_market/consultations/docs/2010/audit/green\\_paper\\_audit\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2010/audit/green_paper_audit_en.pdf)

<sup>29</sup> Available from the Australian Auditing Standards Board <http://www.auasb.gov.au/Home.aspx>

<sup>30</sup> Available at: <http://link.aip.org/link/ACHXXX/v22/i1/p69/s1>

<sup>31</sup> Available at:

[http://web.ifac.org/download/Study\\_1\\_ASB\\_Summary\\_Report.pdf](http://web.ifac.org/download/Study_1_ASB_Summary_Report.pdf);

[http://web.ifac.org/download/Porter\\_et\\_al\\_Final\\_Report\\_Combined.pdf](http://web.ifac.org/download/Porter_et_al_Final_Report_Combined.pdf);

[http://web.ifac.org/download/Study\\_3\\_AICPA\\_IAASB\\_Paper.pdf](http://web.ifac.org/download/Study_3_AICPA_IAASB_Paper.pdf);

[http://web.ifac.org/download/Study\\_4\\_ASB\\_ResearchReport.pdf](http://web.ifac.org/download/Study_4_ASB_ResearchReport.pdf)

<sup>32</sup> <http://www.parliament.uk/business/committees/committees-a-z/lords-select/economic-affairs-committee/publications/>