

**Meeting:** IAASB  
**Meeting Location:** New York  
**Meeting Date:** December 10–13, 2012

## Agenda Item

# 6

### **Auditor Reporting—Summary of Comments on Key Improvements Included in the Invitation to Comment (ITC)**

#### **Objectives of Agenda Item**

1. To discuss key issues relating to auditor commentary (AC), going concern (GC) and the application of the Building Blocks (BB) approach arising from the responses to the June 2012 Invitation to Comment: *Improving the Auditor's Report* (ITC), and other outreach.
2. To discuss the Task Force's (TF) preliminary views and obtain IAASB input on the preferred way forward.

#### **Task Force**

3. The TF comprises the following IAASB members:
  - Dan Montgomery, IAASB Deputy Chair, Chair of TF
  - Jon Grant
  - Merran Kelsall
  - Bill Kinney
  - Annette Köhler
  - Bruce Winter

#### **Activities since Last IAASB Discussion**

4. A number of outreach activities, and other meetings in which auditor reporting was discussed, occurred from mid-September to mid-November 2012. IAASB members or staff participated in the following:
  - Association of Chartered Certified Accountants (ACCA) European Parliament/European Confederation of Directors' Associations (ecoDa) Roundtable "The future of audit: towards more transparency, quality and independence," Brussels, Belgium
  - Presentation to representatives of Instituut van de Bedrijfsrevisoren – Institut des Réviseurs d'Entreprises (IBR-IRE) on the Auditor Reporting project in Brussels, Belgium
  - Presentation to representatives of Nederlandse Beroepsorganisatie van Accountants (NBA) on the Auditor Reporting in Amsterdam, Netherlands
  - International Forum of Independent Audit Regulators (IFIAR) Standards Working Group

Meeting, London, United Kingdom

- Japanese outreach meetings with key stakeholders including, investors, regulators, standard setters, and others, Tokyo, Japan
  - Australian Auditing and Assurance Standards Board (AUASB) roundtables, forum, and private meetings with key stakeholders (i.e., investors, regulators, and preparers and others) on Auditor Reporting, Melbourne and Sydney, Australia
  - CPA Australia Roundtable on Auditor Reporting, Melbourne, Australia
  - New Zealand Auditing and Assurance Standards Board (NZAuASB) public seminar, academic forum and private meetings with key stakeholders on Auditor Reporting, Wellington, New Zealand
  - Institute of Chartered Accountants of Australia (ICAA) Roundtable on Auditor Reporting, Sydney, Australia
  - Forum of Firms Symposium on Auditor Reporting, New York, United States
  - Standard Working Group (of the Six Largest Accounting Firms), New York, United States
  - International Organization of Supreme Audit Institutions (INTOSAI) Financial Audit Subcommittee Meeting, Stockholm, Sweden
  - IAASB/ Malaysian Institute of Accountants (MIA), Institute of Chartered Accountants in Australia (ICAA), and the Malaysian Institute of Certified Public Accountants (MICPA), Auditor Reporting Roundtable, Kuala Lumpur, Malaysia
  - PricewaterhouseCoopers (PwC) East Cluster Risk and Quality Conference, Presentation on Auditor Reporting, Kuala Lumpur, Malaysia
  - Contabilidad y Responsabilidad para el Crecimiento Económico Regional (CReCER) 6<sup>th</sup> Annual Conference for Accounting and Accountability for Regional Economic Growth Panel Sessions on Auditor Reporting, Managua, Nicaragua
  - VEB Dutch Investors Association, Meeting on Auditor Reporting, The Hague, Netherlands
  - Independent Regulatory Board for Auditors (IRBA) Outreach, Johannesburg, South Africa
  - IFAC Council Workshop on Auditor Reporting, Cape Town, South Africa
  - European Audit Inspections Group (EAIG) Meeting, Zurich, Switzerland
  - US Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group Meeting, Washington DC, United States
5. The comment period for the ITC closed on October 8, 2012. The TF has held four teleconferences and a physical meeting to discuss the Staff-prepared summary of comments to the ITC and the material contained in these agenda papers.

## Overall Information about the ITC

### Respondent Categorizations

6. As of November 19, 2012, 164 responses to the ITC were received. The detailed respondent list and their allocation to a geographic region are included in the Appendix. All responses can be accessed from the IAASB's website at: <http://www.ifac.org/publications-resources/improving-auditor-s-report>. The respondents to the ITC comprised the following:

Category of Respondent	No.	Percentage
Investors and Analysts	13	8%
Those Charged with Governance (TCWG)	8	5%
Regulators and Oversight Authorities	17	10%
National Standard Setters (NSS)	13	8%
Accounting Firms	24	15%
Public Sector Organizations	12	7%
Preparers	11	7%
Member Bodies and Other Professional Organizations	43	26%
Academics	10	6%
Individuals and Others	13	8%
<b>Total</b>	<b>164</b>	<b>100%</b>

7. Important to note is that a number of respondents (in particular NSS) conducted additional outreach with a wide range of stakeholders to inform their response through meetings, roundtables, interviews and surveys. These groups, including ACAG, ACCA, AFRC, ASB, AUASB, CAASB, CAQ, CPRB/SCAG, ICAA, ICAEW, ICPAS, IDW, MAASB, NBA, NZAuASB, PAIB, PWC, and UKFRC, sought to obtain views of investors and other users at the national level as a basis for their responses.
8. The IAASB also received a relatively balanced level of geographic representation as follows:

Region	No.	Percentage
Organizations with a Global Mandate	26	16%
Asia Pacific	38	23%
Europe	47	29%
Middle East and Africa	12	7%
North America	37	23%
South America	4	2%
<b>Total</b>	<b>164</b>	<b>100%</b>

### Methodology Used by the Staff in Preparing TF Materials

9. In summarizing the views of respondents, Staff initially focused on describing the balance of views and the ways in which they were described, with appropriate reference to the respondent(s). As such, a quantitative descriptor may not always be used. For example, reference may be made to

“Respondents who did not support ...” with a footnote indicating these respondents. This ensures that views are not solely taken into account based on the number of respondents.

10. For purposes of the analysis, where considered necessary to provide context to the magnitude of responses on key matters, the following metrics have been used, given the 164 responses received to date.
  - A few respondents = 2-20
  - Many respondents = 21-80
  - The majority of respondents = at least half
  - A strong majority = 130 or more
  - No reference will be made to “most respondents.”
11. In addition to these descriptors, the specific respondents are included in footnotes, grouped by stakeholder category, with the exception of when a majority exists. In many cases, this is largely an interpretive exercise, as respondents may not have expressly answered yes or no to a particular question, but may have made comments along similar veins as the intent of the question.
12. The color-coded tables included in the Appendices to the agenda items, often referred to as “heat maps”, are intended to give a directional steer on key issues and have been focused on those stakeholders that are primary participants in the financial reporting supply chain. This is not to say that the responses from other stakeholders have not been taken into account, as they have been included in the detailed narrative as a supplement to the heat maps and footnoted appropriately. However, for purposes of simplifying a large amount of data, this approach was seen to be preferable. They are, accordingly, to be read in connection with the rest of the narrative in the agenda papers.
13. Further analysis and TF discussion on the other suggested improvements discussed in the ITC<sup>1</sup> (i.e., other information; disclosing the name of the engagement partner; disclosures regarding the involvement of other auditors; description of the auditor's responsibilities; and allowing standardized material describing the auditor's responsibilities to be reference elsewhere) will be discussed at the February 2013 meeting in Brussels, Belgium.

## Material Presented

Agenda Item 6-A	Auditor Reporting—Summary of Responses Relating to Auditor Commentary
Agenda Item 6-B	Auditor Reporting—Summary of Responses Relating to Going Concern
Agenda Item 6-C	Auditor Reporting—Summary of Responses Relating to Building Blocks

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<sup>1</sup> Questions 10-14 of the ITC

**Action Requested**

14. The IAASB is asked to consider **Agenda Items 6-A, 6-B and 6-C** and provide input and guidance to the TF on the key matters identified for IAASB consideration.

## Appendix

### List of Respondents to the ITC as of November 19, 2012

#	Abbrev.	Respondent (164)	Region
<b>Investors and Analysts (13)</b>			
1.	ABI	Association of British Insurers	EU
2.	BR	BlackRock, Inc (Investment Manager)	GLOBAL
3.	CalPERS	California Public Employees' Retirement System	NA
4.	EUMEDION	Eumedion (Dutch Institutional Investors)	EU
5.	GCSPS	Group of credit solution providers in Sweden namely <i>Bisnode, Credit Safe, AB Syna, and UC</i>	EU
6.	HEOS	Hermes Equity Ownership Services	GLOBAL
7.	ICGN	International Corporate Governance Network	GLOBAL
8.	IMA	Investment Management Association	GLOBAL
9.	JMahoney	Jeff Mahoney (Member of various US and International Investor groups)	NA
10.	NAPF	National Association of Pension Funds	EU
11.	S&P	Standard & Poor's Credit Market Services	GLOBAL
12.	SAAJ	Securities Analysts Association of Japan	AP
13.	SLI	Standard Life Investments	GLOBAL
<b>Those Charged with Governance (8)</b>			
14.	ACGA	Asian Corporate Governance Association	AP
15.	AICD	Australian Institute of Company Directors	AP
16.	GSaucier	Guyline Saucier (Audit committee member of several companies)	NA
17.	HICG	Hawkamah Institute for Corporate Governance (Dubai)	MEA
18.	IBGC	Institute Brasileiro de Governanca Corporativa	SA
19.	IIA	Institute of Internal Auditors	GLOBAL
20.	KC	King Committee on Corporate Governance in South Africa	MEA
21.	OECD	Organisation for Economic Co-operation and Development	GLOBAL

#	Abbrev.	Respondent (164)	Region
<b>Regulators and Oversight Authorities (17)</b>			
22.	AFRC	Australian Financial Reporting Council	AP
23.	BCBS	Basel Committee on Banking Supervision	GLOBAL
24.	CSA CAC	Canadian Securities Administrators Chief Accountants Committee	NA
25.	CPAB	Canadian Public Accountability Board	NA
26.	CSIPPC	Public Interest Oversight Body of Accounting Profession – Department of Cooperation and European and International Relations (Consiliul pentru Supravegherea în Interes Public a Profesiei Contabile ) [Audit Oversight Body in Romania]	EU
27.	CSRC	China Securities Regulatory Commission	AP
28.	DFSA	Dubai Financial Services Authority	MEA
29.	EAIG	European Audit Inspection Group (15 European Audit Regulators) <sup>2</sup>	EU
30.	EBA	European Banking Authority	EU
31.	HKFRC	Financial Reporting Council - Hong Kong	AP
32.	IAIS	International Association of Insurance Supervisors	GLOBAL
33.	ICAC	Ministerio de Economía y Competitividad (Instituto de Contabilidad y Auditoria de Cuentas) [Ministry of Economics and Competiveness (Institute of Accounting and Audit)]	EU
34.	IOSCO	International Organization of Securities Commissions	GLOBAL
35.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
36.	JSE	Johannesburg Stock Exchange	MEA
37.	MAOB	Securities Commission of Malaysia - Audit Oversight Board	AP
38.	WB	World Bank	GLOBAL

<sup>2</sup> Audit Public Oversight Council (Czech Republic); Auditors Activities Oversight Council (Estonia); Haut Conseil du Commissariat aux Comptes (France); AbschlussPrüferAufsichtskommission (Germany); Irish Auditing & Accounting Supervisory Authority (Ireland); Authority of Audit and Accounting (Lithuania); Commission du Surveillance du Secteur Financier (Luxembourg), Accountancy Board (Malta); Netherlands Authority for the Financial Markets (Netherlands); Finanstilsynet (Norway); Conselho Nacional de Supervisão de Auditoria (Portugal); Agency for Public Oversight of Auditing (Slovenia); Instituto de Contabilidad y Auditoria de Cuentas (Spain); Revisorsnämnden (Sweden); Eidgenössische Revisionsaufsichtsbehörde (Switzerland)

#	Abbrev.	Respondent (164)	Region
<b>National Auditing Standard Setters (13)</b>			
39.	ASB	American Institute of Certified Public Accountants' Auditing Standards Board	NA
40.	AUASB	Australian Auditing and Assurance Standards Board	AP
41.	CAASB	Canadian Auditing and Assurance Standards Board	NA
42.	CICPA	Chinese Institute of Certified Public Accountants	AP
43.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Superieur de l'Ordre des Experts-Comptables	EU
44.	FAP	Federation of Accounting Professions of Thailand	AP
45.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
46.	IDW	Institut der Wirtschaftsprufer	EU
47.	JICPA	Japanese Institute of Certified Public Accountants	AP
48.	MAASB	Auditing and Assurance Standards Board of Malaysian Institute of Accountants	AP
49.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
50.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
51.	UKFRC	Financial Reporting Council – UK	EU
<b>Accounting Firms (24)<sup>3</sup></b>			
52.	BDO*	BDO International Limited	GLOBAL
53.	BT*	Baker Tilly (UK)	EU
54.	CB	Collins Barrow (CA Association)	NA
55.	CCW – UK	Crowe Clark Whitehill LLP (UK)	EU
56.	CH – AU/NZ	Crowe Horwath (Australia and New Zealand)	AP
57.	CHI*	Crowe Horwath International	GLOBAL
58.	DTT*	Deloitte Touche Tohmatsu Limited	GLOBAL
59.	EYG*	Ernst & Young Global Limited	GLOBAL
60.	GC	Gaviller & Company LLP (Canada)	NA
61.	GTI*	Grant Thornton International Ltd	GLOBAL
62.	KI*	Kreston International	NA

<sup>3</sup> Forum of Firms members are indicated with a \*. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

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#	Abbrev.	Respondent (164)	Region
63.	KPMG*	KPMG IFRG Limited (Network)	GLOBAL
64.	MAZARS*	Mazars (France)	GLOBAL
65.	MNP	MNP LLP - formerly Meyers Norris Penny (Canada)	NA
66.	PKF*	PKF International Limited	GLOBAL
67.	PKF(UK)	PKF (UK) LLP (UK)	EU
68.	PP	Pitcher Partners (Australia)	AP
69.	PWC*	PricewaterhouseCoopers International Limited	GLOBAL
70.	RSM*	RSM International	GLOBAL
71.	SNG	Sizwe Ntsaluba Gobodo (South Africa)	MEA
72.	SRA	SRA (Netherlands Network)	EU
73.	TL	Taylor Leibow (Canada)	NA
74.	WBLI	WBLI Chartered Accountants (Canada)	NA
75.	WK	Westworth Kemp Consultants (Australia)	AP
<b>Public Sector Organizations (12)</b>			
76.	ACAG	Australasian Council of Auditors-General	AP
77.	AGA	Auditor General Alberta	NA
78.	AGC	Auditor General Canada	NA
79.	AGM	Auditor General Manitoba	NA
80.	AGNZ	Auditor General New Zealand	AP
81.	AGQ	Auditor General of Quebec	NA
82.	BC	British Columbia – Ministry of Finance (Office of Comptroller General))	NA
83.	CIPFA	Chartered Institute of Public Finance & Accountancy	GLOBAL
84.	CNAO	National Audit Office (China)	AP
85.	GAO	United States Government Accountability Office	NA
86.	NAOS	National Audit Office (Sweden)	EU
87.	RD	Rigsrevisionen (Denmark Auditor General)	EU
<b>Preparers of Financial Statements (11)</b>			
88.	BE	BUSINESSEUROPE	EU
89.	BP	British Petroleum	EU
90.	CBI	Confederation of British Industry - UK	EU
91.	CNRL	Canadian Natural Resources Limited	NA
92.	Gof100-A	Group of 100 (Australia)	AP

#	Abbrev.	Respondent (164)	Region
93.	Gof100-UK	The Hundred Group of Finance Directors (UK)	EU
94.	MEDEF	Mouvement des Entreprises de France (Movement of the Enterprises of France)	EU
95.	PAIB	IFAC Professional Accountants in Business Committee	GLOBAL
96.	QCA	Quoted Companies Alliance	EU
97.	USCC	US Chamber of Commerce – Center for Capital Market	NA
98.	VNO-NCW	Confederation of Netherlands Industry and Employers (Financial Reporting Policy Committee)	EU
<b>Member Bodies and Other Professional Organizations (43)</b>			
99.	ACCA	Association of Chartered Certified Accountants	GLOBAL
100.	ASSIREVI	Associazione Italiana Revisori Contabili (Association of the Italian Auditors)	EU
101.	BICA	Botswana Institute of Chartered Accountants	MEA
102.	CAI	Chartered Accountants Ireland – Audit and Assurance Committee	EU
103.	CalCPA	California Society of Certified Public Accountants	NA
104.	CAQ	Center for Audit Quality	NA
105.	CGAC	Certified General Accountants Association of Canada	NA
106.	CIMA	Chartered Institute of Management Accountants	EU
107.	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti	EU
108.	CPAA	CPA Australia	AP
109.	CPRB/SCAG	Canadian Institute of Chartered Accountants Canadian Performance Reporting Board – Small Company Advisory Group	NA
110.	DNR	Den norske Revisorforening (DNR) – Norwegian Institute of Public Accountants	EU
111.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
112.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professionals Councils of Economic Sciences)	SA
113.	FAR	FAR (Institute for the Accountancy Profession in Sweden)	EU
114.	FEE	Fédération des Experts comptables Européens - Federation of European Accountants	EU
115.	FSR	Foreningen af Statsautoriserede Revisorer (Danish Institute of Accountants)	EU
116.	IBR-IRE	Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises	EU

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#	Abbrev.	Respondent (164)	Region
117.	ICAA	Institute of Chartered Accountant of Australia	AP
118.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
119.	ICAI	Institute of Chartered Accountant of India	AP
120.	ICAN	Institute of Chartered Accountants of Nigeria	MEA
121.	ICAP	Institute of Chartered Accountants of Pakistan	AP
122.	ICAS	Institute of Chartered Accountants of Scotland	EU
123.	ICASL	Institute of Chartered Accountants of Sri Lanka	AP
124.	ICPAI	Institute of Certified Public Accountants in Ireland	EU
125.	ICPAK	Institute of Certified Public Accountants of Kenya	MEA
126.	ICPAS	Institute of Certified Public Accountants of Singapore	AP
127.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
128.	IE	Insurance Europe	EU
129.	IMCP	Instituto Mexicano de Contadores Públicos, A.C. (Mexican Institute of Public Accountants)	NA
130.	KICPA	Korean Institute of Certified Public Accountants	AP
131.	KWT	Kammer der Wirtschaftstreuhänder (Chamber of Public Accountants – Austria)	EU
132.	MIA	Malta Institute of Accountants	EU
133.	MICPA	Malaysian Institute of Certified Public Accountants	AP
134.	NASBA	National Association of State Boards of Accountancy	NA
135.	NFCPAAROC	National Federation of Certified Public Accountant Associations of the Republic of China	AP
136.	NYSSCPA	New York State Society of Certified Public Accountants	NA
137.	OROC	Ordem dos Revisores Oficiais de Contas	EU
138.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
139.	TK	Treuhand-Kammer (Swiss Institute of Certified Accountants)	EU
140.	WPK	Wirtschaftsprüferkammer (German Public Accountants MB)	EU
141.	ZICA	Zambia Institute of Chartered Accountants	MEA
<b>Academics (10)</b>			
142.	AAA	American Accounting Association - Auditing Standards Committee of the Auditing Section	NA
143.	BCEM	Jean Bédard (Université Laval), Paul Coram (University of Melbourne), Reza Espahbodi (Washburn University) and Theodore J. Mock (University of California, Riverside)	NA
144.	BMednick	Bob Mednick (former AICPA Chairman)	NA

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#	Abbrev.	Respondent (164)	Region
145.	HC	Joseph A. Maffia (Hunter College Advanced Auditing Class at the Graduate School)	NA
146.	JCarcello	Joseph V. Carcello (University of Tennessee)	NA
147.	KJamal SSunder	Karim Jamal (University of Alberta) and Shyam Sunder (Yale University)	NA
148.	PGillis	Paul Gillis (Peking University)	AP
149.	RMoroney	Robyn Moroney (Monash University)	AP
150.	UofW	University of the Witwatersrand (Auditing Masters class)	MEA
151.	VMassarygina	Vera F. Massarygina PhD (Baker Tilly Moscow)	EU
<b>Individuals and Others (13)</b>			
152.	ASaleem	Adeel Saleem	AP
153.	CBarnard	Chris Barnard	EU
154.	DJuvenal MRejon	Denise Juvenal and Manuel Rejon	SA
155.	Flrungu	Felicitas Irungu	MEA
156.	IChandra	Ishwar Chandra	AP
157.	JHodge ZMurray	John Hodge and Zowie Murray	AP
158.	JKelly	John Kelly	NA
159.	KPastakia	Khurshed Pastakia	AP
160.	MAhmadi	Mansour Shams Ahmadi	MEA
161.	RMahadevan	Ramachandran Mahadevan	AP
162.	ROverweg	Richard Overweg	EU
163.	RRodil	Ricardo Julio Rodil	SA
164.	SGiang	Sovann Giang	AP