

Auditor Commentary—Issues and Task Force Proposals

I. Summary of Task Force (TF) Proposals

Auditor commentary to be provided for “key matters of audit significance.” Key matters of audit significance include the following categories, which would be presented as sub-headings in a required Auditor Commentary section of the auditor’s report:		
Category	Mandatory for All Entities	Mandatory for Public Interest Entities (PIEs)
<p><i>Going Concern</i></p> <p>1. “Clean”</p> <ul style="list-style-type: none"> Conclusion on management’s use of going concern assumption Conclusion on material uncertainties <p>2. Material uncertainty exists</p> <ul style="list-style-type: none"> Conclusion on management’s use of going concern assumption Extant Emphasis of Matter (EOM) paragraph on material uncertainty <p>3. No material uncertainty, but “borderline” case</p> <ul style="list-style-type: none"> Conclusion on management’s use of going concern assumption Conclusion on material uncertainties Supplemental entity-specific auditor commentary (for PIEs) 	Yes, one of the 3 scenarios shown depending on the circumstances of the engagement	In the case of scenario #3, additional auditor commentary could be provided if the auditor judges it necessary to do so.
<p><i>Other Information</i></p> <ul style="list-style-type: none"> Auditor’s responsibilities and conclusion (ISA 720)¹ Extant Other Matter (OM) paragraph when a material inconsistency is identified and management refuses to make the revision 	Yes, when relevant (i.e., when documents containing audited financial statements and the auditor’s report thereon include other information)	-
Entity-specific auditor commentary on other key matters of audit significance (matters and extent of commentary based on the auditor’s judgment), denoted by separate sub-headings for each matter	No	Yes, but no specific matters to be mandated, although certain considerations always taken into account

¹ ISA 720, *The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

Other specific circumstances in extant ISAs requiring EOM/OM paragraphs (e.g., subsequent events, comparative financial information, etc.), denoted by separate subheadings for each matter	Yes, when those specific circumstances exist	-
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II. Overall Objective of Auditor Commentary

1. A proposed objective in relation to auditor commentary has been developed to assist the TF in determining the proposed requirement for auditor commentary. The TF believes the objective of auditor commentary is as follows:

The objective of the auditor in providing auditor commentary, having formed an opinion on the financial statements, is to provide transparency about key matters of audit significance that, in the auditor's judgment, are likely to be most important to users' understanding of the financial statements and the audit, for their economic decisions taken on the basis of the financial statements.

2. This objective is premised on the TF's view that current mechanisms which permit the auditor to provide information in the auditor's report beyond the opinion (i.e., the use of EOM paragraphs and OM paragraphs in accordance with extant ISAs) would become a part of auditor commentary. This is because the objective of ISA 706² is premised on permitting auditors to provide additional information in the auditor's report about matters that are deemed to be important and relevant (although the TF acknowledges that these paragraphs are not often included in auditor's reports unless required in particular circumstances). It will therefore be necessary for the IAASB in proposing requirements for auditor commentary to propose conforming amendments to a number of ISAs to align this view with current requirements and guidance to include EOM or OM paragraphs for all audits in particular circumstances. In doing so, the captions "Emphasis of Matter" and "Other Matter" paragraphs in the ISAs would be replaced within the broader category of "auditor commentary" with individual sub-headings for each matter, and guidance could be developed to note that the placement of these specific matters under the heading of "Auditor Commentary" would be based on the auditor's judgment about the relative importance of all matters included in auditor commentary.

III. Proposed Requirements for Auditor Commentary

A. Auditor Commentary on Going Concern (GC)

3. The TF believes that a conclusion in the auditor's report regarding the auditor's work under extant ISA 570³ is a form of auditor commentary that should be required for audits of *all* entities. Under the broad objective for auditor commentary (see paragraph 1), such a conclusion would provide transparency about the outcome of the auditor's work on GC under the ISAs, and would be a key matter of audit significance that is likely to be important to users' understanding of the financial statements and the audit.

² ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

³ ISA 570, *Going Concern*

4. Having considered a number of options, the TF proposes the following wording for the conclusion based on the work effort currently specified in ISA 570:

As part of our audit of the financial statements, we have concluded that management's use of the going concern assumption in the preparation of the financial statements is appropriate. In addition, we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern that would need to be disclosed for the fair presentation of the financial statements. However, because future events or conditions cannot be predicted, we do not provide a guarantee as to the Company's future viability, nor do we express an opinion or conclusion on such viability.

5. The TF also proposes that the following contextual information should be included to supplement the conclusion, but has not yet decided where in the auditor's report it should be located:

[Under *[the applicable financial reporting framework]*, management is responsible for making an assessment of the Company's ability to continue as a going concern.]⁴ Also, *[the applicable financial reporting framework]* requires that, when management is aware of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, management disclose those uncertainties in the financial statements.⁵

Under the going concern assumption, the Company is viewed as continuing in business for the foreseeable future. The Company's financial statements are prepared on a going concern basis, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

6. In developing this proposal, the TF has considered the pros and cons of reporting a conclusion on use of the GC assumption, and expanding it to incorporate a conclusion regarding whether material uncertainties have been identified during the audit.
7. The TF is of the view that, while a conclusion limited to the GC assumption alone would present a relatively low level of impediments in terms of implementation on an international basis, it would deliver relatively limited value to users. This is because the wording of the conclusion would merely convey that the financial statements do not need to be prepared on a liquidation basis. It is unlikely that users would find this helpful because, if indeed the financial statements needed to be prepared on a liquidation basis, such information would come too late for most users for purposes of their economic decisions.
8. The TF is of the view that greater value would be provided to users if the conclusion were to also convey whether, as part of the audit, the auditor has identified material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a GC. This

⁴ This wording can be used if management has a responsibility under the applicable financial reporting framework to assess the entity's ability to continue as a GC. If management does not have such a responsibility, the wording would be: "As the going concern assumption is a fundamental principle in the preparation of financial statements, the preparation of the financial statements involves management making an assessment of the Company's ability to continue as a going concern."

⁵ This wording can be used if management has a responsibility under the applicable financial reporting framework to disclose material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. If there is no such responsibility, the NSS may specify the wording that best describes management's responsibilities with respect to material uncertainties within the context of the national financial reporting framework, law or regulation.

conclusion would be more meaningful to users because it would provide an *earlier* signal to them in terms of potential difficulties the entity may encounter in discharging its obligations in the normal course of business. A conclusion in the auditor's report regarding material uncertainties would effectively make explicit what has hitherto been implicit when no EOM paragraph has been included in the auditor's report regarding GC, i.e., the auditor has not identified material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a GC.

9. However, the TF recognizes that a number of impediments exist in relation to a conclusion regarding material uncertainties. In particular:
- There is considerable judgment around the concept of material uncertainties relating to GC. Publishing a specific conclusion about the absence of them may be thought to provide more assurance to users about the ongoing viability of the entity than is justified. In other words, there is a danger that such a conclusion would expand the expectations gap, not narrow it.
 - The description of a material uncertainty in extant ISA 570⁶ does not provide much guidance on what a material uncertainty is, or distinguish the concepts of (a) preparing the financial statements on a liquidation basis, and (b) a wider meaning related to the entity's ability to realize its assets and discharge its liabilities in the normal course of business. Without greater clarity in the form of an explicit definition of material uncertainty in the auditor's report, a conclusion in relation to material uncertainties may have the potential to create user misunderstanding and confusion.
 - The phrase "material uncertainty related to events or conditions that may cast significant doubt ..." originates from International Accounting Standard (IAS) 1.⁷ There would be a danger that, by clarifying what is meant by this, the IAASB would be seen as developing accounting material. Although there is a precedent in the ISAs regarding the provision of auditing guidance around accounting concepts, there is a question as to whether it would be appropriate for the IAASB to do so without a corresponding clarification of the concept in the accounting literature.
 - Other accounting frameworks have differing requirements regarding the disclosure of uncertainties relating to GC. Any description of management responsibilities in this regard will need tailoring (as explained in the footnotes to paragraph 5).
10. Amendments to extant ISA 570 will be necessary to reflect the auditor's reporting responsibilities (i.e., both a GC conclusion and the possibility of additional entity-specific auditor commentary on GC matters in certain situations (see paragraphs 13-15)). The TF intends to consider whether further guidance may need to be provided in ISA 570 to enhance auditors' consideration of material

⁶ ISA 570, paragraph 17, describes a material uncertainty as follows: "A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for (a) in the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or (b) in the case of a compliance framework, the financial statements not to be misleading."

⁷ IAS 1, *Presentation of Financial Statements*; the relevant IAS requirements and guidance relating to GC are included in Appendix 1.

uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a GC, and will report its views to the IAASB at its June 2012 meeting.

Matter for IAASB Discussion

1. Does the IAASB support the TF's proposal regarding the wording of the conclusion in relation to GC?

Extent of Prescription of the Wording of the Conclusion and Related Text in the Auditor's Report

11. Given that not all frameworks require management to make an assessment of the GC assumption,⁸ and that differences exist regarding disclosure requirements and what period of time is considered to be "the foreseeable future," the TF believes that it will be necessary to provide flexibility for national auditing standard setters (NSS) to tailor both (a) the description of management's responsibilities regarding the GC assumption, and (b) the explanation of that concept, to national circumstances.
12. However, the TF believes that it would be preferable to mandate the wording of the auditor's conclusion, as the wording of both parts of the proposed conclusion (i.e., use of the GC assumption and no material uncertainties identified) is in accordance with ISA 570. However, the TF proposes that the NSS Liaison Group be asked at its April 2012 meeting whether changes would be necessary to the wording of the conclusion for the proposal to be capable of being implemented in their jurisdictions. In particular, the TF proposes that NSS be asked whether it would be practical for them to combine any specific national reporting requirements regarding GC with the proposed IAASB wording. Based on NSS' views, the TF will determine whether specific wording should be mandated and will present the IAASB with its final recommendation in the June 2012 agenda material.

Entity-Specific Auditor Commentary Regarding GC

13. While the TF recommends the inclusion of a conclusion regarding GC in the auditor's report, the TF also believes that there would be value if such a conclusion were to be supplemented by entity-specific auditor commentary in certain circumstances. Under extant ISA 570, if the auditor has concluded that a material uncertainty exists, and adequate disclosure has been made in the financial statements, the auditor is required to include an EOM paragraph. This requirement applies to all entities and would become part of auditor commentary, replacing the proposed conclusion that no material uncertainties have been identified related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern that would need to be disclosed for the fair presentation of the financial statements.
14. Under the proposed requirement for entity-specific auditor commentary (see paragraph 23), the conclusion could be supplemented in a "borderline" case in which, after due consideration of all the relevant facts and circumstances, the auditor concluded that no material uncertainty has been identified.

⁸ For example, there is no obligation under U.S. Generally Accepted Accounting Principles for management to make an assessment of the entity's ability to continue as a GC.

15. The TF will propose illustrative wording for these circumstances in due course in the context of the draft June 2012 Invitation to Comment (ITC).

B. Auditor Commentary on Other Information (OI)

16. The TF believes that a conclusion regarding whether the auditor has identified material inconsistencies based on the auditor's reading of other information is an additional form of auditor commentary. Feedback from users indicates that explicit discussion in the auditor's report about the work effort under ISA 720 would narrow the expectations gap and provide additional transparency about the auditor's responsibilities.
17. Having considered a number of options to enhance auditor reporting in relation to OI, the TF proposes the following wording for the description of the auditor's responsibilities and the auditor's conclusion regarding OI:

As part of our audit, we have read *[clearly identify the specific other information read, e.g., the Chairman's Statement, the Business Review, etc.]* contained in *[specify the document containing the other information, e.g., the annual report]*. We have not audited this information⁹ and accordingly do not express an opinion on it. However, based on reading it, we have not identified material inconsistencies between this information and the audited financial statements.

18. The TF agreed that this proposal should not preclude the evolution of ISA 720 under the IAASB's current project to revise that standard. Accordingly, the TF recommends that the ITC clearly explain that developments in the project to revise ISA 720 may lead to consequential changes to the above wording.¹⁰

Entity-Specific Auditor Commentary Regarding OI

19. For all entities, an OM paragraph¹¹ describing a material inconsistency identified in other information obtained prior to the date of the auditor's report may be necessary when management refuses to revise the other information. This current ISA requirement would be carried over under the umbrella of auditor commentary along with other required EOM/OM paragraphs. In addition, there may be other circumstances for audits of PIEs in which the auditor would judge it necessary to highlight a specific matter regarding OI, which would be dealt with under the broader requirement in paragraph 23.

Scope of Application

20. The TF recommends that a requirement for the auditor to describe the auditor's responsibilities regarding OI and to express a conclusion regarding the work performed with respect to such information under ISA 720 apply to all audits where it would be relevant in the engagement

⁹ In some circumstances, part of the OI may include information required to be disclosed by the applicable financial reporting framework but not required to be included in the financial statements, for example, disclosures of risks. In such cases, as those disclosures will be audited, it will be necessary to tailor the statement that the auditor has not audited the OI in order to exclude such disclosures.

¹⁰ The Board's current work program anticipates approval of an exposure draft of the proposed revised ISA 720 in September 2012.

¹¹ See ISA 720, paragraph 10.

circumstances (i.e., when documents containing audited financial statements and the auditor's report thereon include other information).

Matter for IAASB Discussion

2. Does the IAASB support the TF's proposal regarding the wording of the conclusion in relation to OI and its proposed scope of application?

C. Entity-Specific Auditor Commentary on Other Key Matters of Audit Significance

21. Based on the proposed objective of auditor commentary, it is likely that there will be other matters determined to be of audit significance beyond going concern and other information (i.e., while auditor commentary has features similar to EOM and OM paragraphs as currently defined in the ISAs, the need for entity-specific auditor commentary is not expected to be rare). It would therefore be necessary for the auditor to provide further tailored auditor commentary to the particular facts and circumstances of the entity and the audit.
22. The TF believes that using the auditor's communications with those charged with governance (TCWG) in accordance with ISA 260¹² as a basis for entity-specific auditor commentary is an appropriate starting point, because users have indicated that more transparency about those discussions would be meaningful. However, there are not specific matters on which entity-specific auditor commentary is required in *all* circumstances (i.e., the matters included in auditor commentary will vary by entity and are left to the auditor's judgment).
23. To promote consistency in auditors' application of judgment, the TF agreed it is necessary to focus auditors on the objective of the auditor commentary and to require them to consider a number of specific sources for matters of audit significance when determining what to include in entity-specific auditor commentary. The proposed requirement is therefore as follows:¹³

The auditor shall include auditor commentary at an appropriate level of detail, based on the auditor's judgment, to provide transparency about key matters of audit significance. Key matters of audit significance are those that, in the auditor's judgment, are likely to be most important to users' understanding of the financial statements and the audit, for their economic decisions taken on the basis of the financial statements.

The auditor shall take into account the following in determining which matters to include in auditor commentary:

- Significant risks and areas of high assessed risks of material misstatement identified during the audit, and the auditor's responses to those risks;
- The audit implications, including the adequacy of disclosure, of unusual transactions, restatements, and other significant changes in the financial statements;
- Significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;

¹² ISA 260, *Communication with Those Charged with Governance*

¹³ Note that additional requirements will need to be developed in relation to the proposed conclusions on GC and OI for all entities; this requirement is intended to apply to other entity-specific auditor commentary only.

- Other areas of significant discussion with management and TCWG, including discussions about significant management judgments, or the conduct of the audit, and any other matter presented or disclosed in the financial statements that is of such importance that it is fundamental to users' understanding of the financial statements.
24. The level of detail provided by auditors in the auditor's report will vary depending on the matter being described, ranging from a simple reference to the matter and where it is disclosed in the financial statements (similar to an EOM paragraph) to including additional auditor views to enhance users' understanding of the matter. Accordingly, application material such as the following could be provided in support of the requirement to provide auditor commentary:

The level of detail at which to provide auditor commentary is a matter of the auditor's professional judgment in the circumstances. In determining the level of detail of auditor commentary, consideration is given as to whether, based on the nature and extent of information provided, a user would understand why a matter was deemed to be a key matter of audit significance by the auditor (for example, due to a high assessed risks of material misstatement, significant measurement uncertainty, or the involvement of experts others in the audit, etc.).

Factors that the auditor may consider in determining an appropriate level of detail for the auditor commentary, for example:

- The extent to which the matter(s) are appropriately disclosed in the financial statements, including the related notes and "other information".
 - The auditor's consideration as to whether additional information would be important for users' understanding of the matter(s) or the conduct of the audit, for example:
 - Whether a description of the auditor's procedures, or a conclusion based on these procedures, would be necessary in order to enable users to understand the importance of such matters and the basis for the auditor's judgments.¹⁴
 - Whether a description about aspects of the entity's accounting policies beyond what is disclosed in the financial statements, or information about related internal control matters, is needed to provide context to management's judgments.
 - Whether there are implications to future financial statements that may need to be described, for example in relation to risks and uncertainties.
 - Whether a description about the audit approach would be necessary, for example, when other auditors were involved in the audit.
 - Requirements established by law or regulation for the auditor to include additional communication in the auditor's report about the scope of the audit or particular findings as a result of the audit or other procedures required by law or regulation.
25. The TF believes additional detailed guidance to support this requirement will be necessary to further focus auditors on what is likely to be most important to users and to help to promote

¹⁴ Guidance will be needed to explain the challenges of succinctly characterizing the auditor's procedures in a meaningful way; further feedback from users on the potential for auditors to include a description of procedures in auditor commentary will be sought in the June 2012 ITC, recognizing that this is reflective of the justification of assessments model used in France.

consistency in auditor judgment as to what should be included in auditor commentary and at what level of detail. See examples of possible guidance in Appendix 2 to this paper. Illustrative examples of auditor commentary presented in the March 2012 IAASB agenda material will be refined and included in the June 2012 IAASB agenda material and the planned ITC.

Matter for IAASB Discussion

3. Does the IAASB support the proposed requirement and guidance relating to criteria for inclusion of matters in entity-specific auditor commentary, based on the objective set out in paragraph 1?

For Which Entities Is Entity-Specific Auditor Commentary Required?

26. Based on comments from the IAASB and the Consultative Advisory Group (CAG), the TF sees merit in acknowledging the growing emphasis on the broader group of entities known as “public interest entities,” in light of the global financial crisis and, for example, the focus on PIEs in the European Commission’s legislative proposals. The TF is therefore proposing that entity-specific auditor commentary be required for PIEs, rather than only listed entities. As the ISAs do not currently define PIEs, to facilitate this new requirement, the TF proposes that the definition of PIEs included in Section 290 of the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (IESBA Code) be incorporated into the ISAs, as follows:

... Public interest entities are:

- (a) All listed entities; and
 - (b) Any entity:
 - (i) Defined by regulation or legislation as a public interest entity; or
 - (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.
27. This broad definition allows for NSS or regulators to define PIEs based on the circumstances in their particular jurisdiction, allowing sufficient flexibility for them to scope entities other than listed entities into their definitions of PIEs. The IESBA Code provides further guidance on treating other entities as PIEs for purposes of maintaining independence¹⁵ as follows, which could be incorporated into a revised ISA 700¹⁶ to signify that auditor commentary for certain entities other than PIEs may be useful:

Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds;
- Size; and

¹⁵ Guidance in paragraph A23 of ISA 260 also includes public sector entities as an example of entities that are not listed entities, but where communication of auditor independence may be appropriate.

¹⁶ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

- Number of employees.
28. Under this definition, entity-specific auditor commentary would not be mandated for entities other than PIEs. This would be responsive to feedback from auditors of small- and medium-sized entities (SMEs) cautioning the IAASB not to propose requirements that would be unduly burdensome to SMEs relative to demands from users of their financial statements. However, auditors of SMEs (and other non-PIEs) would not be precluded from including entity-specific auditor commentary on a voluntary basis should they judge there to be value in doing so in the context of the entity. For example, auditors of large unlisted entities (that do not otherwise meet the definition of PIEs) may consider it in the public interest to include entity-specific auditor commentary based on the facts and circumstances of the engagement.

Matters for IAASB Discussion

4. Does the IAASB agree that entity-specific auditor commentary should be required for PIEs, using the definition of PIEs in the IESBA Code as a starting point?
5. Based on the proposed objective of auditor commentary, does the IAASB have a view as to whether the perceived value of auditor commentary on key matters of audit significance in auditor's reports of other entities would outweigh the possible impediments, and therefore should be mandated more widely?

Appendix 1

Relevant Requirements and Guidance in IASs 1 and 10

IAS 1

25. **When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.**
26. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

IAS 10¹⁷

14. **An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.**
15. Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.
16. IAS 1 specifies required disclosures if:
- (a) the financial statements are not prepared on a going concern basis; or
 - (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

¹⁷ IAS 10, *Events after the Reporting Period*

Appendix 2

Areas for Additional Guidance to Support the Proposed Requirement to Include Auditor Commentary

The TF is of the view that, in revising the ISAs to include a requirement relating to auditor commentary, additional guidance could:

- Explain that auditor commentary provides a link between management's significant judgments and the auditor's assessment of those judgments in connection with the audit procedures performed in the related areas.
- Explain how significant risks are to be considered in determining whether to provide auditor commentary, in light of the TF's view that auditor commentary on some areas of significant risks prescribed by the ISAs may not always be relevant to users.
- Describe the interaction between matters to be included in auditor commentary and: (i) the evaluation by the engagement quality control reviewer of the significant judgments made by the engagement team; (ii) discussions with TCWG; and (iii) areas on which written representations from management were requested as part of the audit.
- Clarify that business conditions affecting the entity, and business plans and strategies that may affect ROMM may be significant matters discussed with management (in line with ISA 260).
- Explain that, in considering key matters of audit significance, the auditor would consider those areas that were identified in the auditor's initial planning and risk assessment as well as areas in which the auditor's planned approach changed in response to changes in the auditor's risk assessment or difficulties encountered in performing the audit.
- Explain how describing the audit approach may be relevant to users, in particular when a highly tailored or unique approach is undertaken to obtain audit evidence, or when a discussion of materiality or the use of others (for example, the internal audit function, experts, or component auditors) may be appropriate.
- Reiterate that auditor commentary is not intended to be a lengthy list of matters, nor should it consist of all matters discussed with TCWG.

Appendix 2 to ISA 260 identifies matters that may be included in communication with TCWG about significant qualitative aspects of an entity's accounting practices that are also likely to be relevant in determining what to include in auditor commentary.