

Auditor Reporting Post-Implementation Review (PIR)—Recommendations**Objective of the Agenda Item:**

This paper sets out the final recommendations of the Auditor Reporting Implementation Working Group (ARIWG) arising from the PIR (see **Section III**) and provides additional details in support of those recommendations, including the key findings for the significant themes identified from the information-gathering and research activities (see **Sections IV-IX**). The primary information gathering and research activities of the PIR were undertaken during Q4 2019 to Q4 2020, with supplementary and follow up actions that continued into Q3 2021.

The other sections of this paper address the background to the PIR, key findings and approach to developing the PIR recommendations, and the way forward (see **Sections I, II and X**, respectively).

The following supplements have been provided for reference purposes:

- (a) **Supplement A** sets out a deeper analysis of various aspects in relation to the Other Information (OI) section in the auditor's report. See the related discussion in **Section VI**.
- (b) **Supplement B** sets out the findings from a survey undertaken by the External Reporting Board of New Zealand in coordination with the IAASB regarding circumstances in which an individual other than the engagement partner (EP) signs the auditor's report. See the related discussion in **Section VII**.
- (c) **Supplement C** provides an analysis of changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standards of the new and revised Auditor Reporting Standards.

Matters for IAASB consideration:

1. The Board is asked for its views on the PIR recommendations of the ARIWG, including matters that may need to be considered in relation to any current IAASB workstreams or future work plan decisions.

During the September 2021 IAASB meeting, the ARIWG Chair will pause after each group of recommendations, to receive the Board's feedback on Question 1, in the following order:

- 1.1 Recommendations # 1, # 2 and # 5;
 - 1.2 Recommendation # 3;
 - 1.3 Recommendation # 4; and
 - 1.4 Recommendations # 6, # 7, # 8 and # 9.
2. The Board is asked whether it concurs that the PIR is completed, and with the way forward as presented in **Section X**.

I. Background

1. From 2019 to 2021, the IAASB conducted a post-implementation review of the new and revised Auditor Reporting Standards¹ and ISA 720 (Revised)² (collectively referred to as ‘the Auditor Reporting Standards’ in this paper). A chart outlining the timeline of IAASB’s activities in relation to the PIR is provided in **Appendix 1**.
2. Given the significance of the Auditor Reporting Standards and the importance of improving communication between auditors and users of auditor’s reports at the time the standards were issued,³ the IAASB agreed to undertake a PIR of the Auditor Reporting Standards. The IAASB formed the ARIWG to provide ongoing support on this topic and to undertake the activities relating to the PIR.
3. The PIR falls within the information gathering and research activities component⁴ of the [IAASB’s Framework for Activities](#), relevant to post-implementation reviews. PIR activities aim to inform the IAASB whether the new and revised standards have been implemented as intended and to determine whether the relevant standards are being consistently understood and implemented in a manner that achieves the IAASB’s intended purpose in developing or revising them, so that the IAASB can determine what actions, if any, are needed.

Objectives of the PIR

4. The objectives of the PIR (outlined in the box below), and the scope of the standards to be addressed through the PIR were discussed with the Board in June 2019 (see [Agenda Item 5](#)).

The PIR objectives are to:

- (a) Determine whether the Standards are being consistently understood and implemented in a manner that achieves the IAASB’s intended purpose in developing them so that the IAASB can determine what actions, if any, are needed:
 - To increase the consistency of practitioners’ understanding of the Standards; and
 - For the Standards to achieve the intended purpose.
- (b) Identify how practical challenges and concerns are being addressed (by auditors, management and audit committees), and whether further action by the IAASB is needed.
- (c) Understand the extent of global demand for additional information in the auditor’s report to improve the transparency of the audit (e.g., including the outcome of audit procedures with respect to Key

¹ The new and revised Auditor Reporting Standards comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and conforming amendments to other ISAs.

² ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

³ The IAASB issued the new and revised Auditor Reporting Standards in January 2015. In April 2015, the revised standard addressing the auditor’s responsibilities related to other information, ISA 720 (Revised), was issued. The new and revised Auditor Reporting Standards and ISA 720 (Revised) became effective for audits of financial statements for periods ending on or after December 15, 2016. Some jurisdictions may have adopted the standards with a different effective date.

⁴ Activities within the information gathering and research activities component are aimed at informing potential work plan decisions and supporting future work of the IAASB.

Audit Matters (KAM), additional communications about going concern, the disclosure of materiality, and information about the scope of the audit).

- (d) Understand the extent of global demand for wider application of the requirements that currently apply only to audits of financial statements for listed entities (i.e., communication of KAM, the name of the engagement partner and, when applicable, communicating specific matters relating to other information).

ARIWG Activities

5. In January 2020, the ARIWG outlined a plan of information-gathering activities, including a timeframe for the PIR,⁵ which broadly included the following scope: developing and undertaking a stakeholder survey, review of relevant academic research and other literature, carrying out outreach through a virtual roundtable with various stakeholder groups and performing other supporting information-gathering and research activities.
6. In February 2021, the IAASB discussed the information-gathering activities undertaken by the ARIWG in relation to the PIR and provided the Board with an overview of stakeholder feedback from the PIR Stakeholder Survey (the stakeholder survey) and other information-gathering activities (see [Agenda Item 3](#)). To keep stakeholders informed of its progress and to acknowledge the important input received, the IAASB published a [Feedback Statement](#) in June 2021 detailing the feedback received through the stakeholder survey and other information-gathering sources.
7. Since February 2021, the ARIWG undertook further research and analysis of available information in support of the PIR objectives, which included the following:
 - (a) IAASB staff undertook further outreach with those respondents that did not provide a response to the stakeholder survey but from whom the IAASB would normally expect to receive feedback (based on past experience in relation to IAASB public consultations).⁶
 - (b) The ARIWG considered:
 - (i) Feedback about auditor reporting implications based on input received on the IAASB Fraud and Going Concern Discussion Paper⁷ and feedback received on the proposed revisions to the IESBA Code⁸ relating to the definitions of listed entity and Public Interest Entities (PIEs).⁹

⁵ A summary of the ARIWG plan of information gathering activities was published in a [PIR Project Update](#).

⁶ From the outreach undertaken, no further responses to the stakeholder survey were received. Stakeholders provided the following comments: in some cases responses for a certain jurisdiction were provided in a combined manner but only one stakeholder was separately identified in the survey demographic data; some stakeholders referred back to their inputs provided to the Discussion Paper on Fraud and Going Concern (see footnote 7); and some commented that in their jurisdiction it was too early to provide a response given that the Auditor Reporting Standards had become effective only recently.

⁷ IAASB Discussion Paper, [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#)

⁸ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

⁹ IESBA Exposure Draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity \(PIE\) in the Code \(PIE ED\)](#)

- (ii) The findings from a survey undertaken by the External Reporting Board of New Zealand in coordination with the IAASB to obtain an understanding of circumstances in which an individual other than the EP signs the auditor's report (see **Supplement B**).
 - (c) IAASB Staff performed a deeper analysis of responses to the stakeholder survey including for:
 - (i) Various aspects in relation to the OI section to understand the root causes of the issues and analyze how differences in practice are being addressed¹⁰ (see **Supplement A**); and
 - (ii) Changes or modifications (e.g., new or different or incremental requirements) to the equivalent Auditor Reporting national standards to understand the nature of those changes and modifications¹¹ (see **Supplement C**).
8. The ARIWG is of the view that sufficient information-gathering, research and analysis has been undertaken to support achieving the PIR objectives and provide an appropriate basis for its recommendations to the IAASB.

II. Key Findings and Approach to Developing the PIR Recommendations

Key Findings

9. The key findings in relation to the PIR, consistent with the findings discussed with the Board in February 2021, are summarized below:
- (a) Stakeholders overwhelmingly supported the enhancements made to the Auditor Reporting Standards and the support was also acknowledged by investors. There were consistent messages across all stakeholder groups that the revisions helped to improve transparency, enhance the communicative value of the information provided in the auditor's report and increase user confidence in the financial statements, providing evidence that the intended purpose set by the IAASB when developing these revisions has been achieved.
 - (b) Notwithstanding the substantial support, there were some areas that presented implementation and other challenges that are further described in **Sections IV-IX**.
 - (c) Considering that some major jurisdictions have only recently implemented the Auditor Reporting Standards, more time and information gathering is needed to fully understand the extent of global demand for additional information in the auditor's report to further improve the transparency of the audit, and to assess demand for wider application of the requirements that currently apply only to audits of financial statements of listed entities. In these areas, stakeholders suggested that the IAASB continue to work with others to monitor these global

¹⁰ This included a review of the changes or modifications to the equivalent national standard of ISA 720 (Revised), review of available jurisdictional practice guidance or support materials, analysis of the types of information generally considered to be other information and an analysis of the practical and implementation challenges related to the OI Section.

¹¹ This included analysis of responses provided by 25 National Standard Setters and Professional Accountancy Organizations that responded to Part E of the [PIR Stakeholder Survey](#) and a subsequent follow up with those respondents on whether there have been any developments in their jurisdictions since the survey closed in November 2020.

developments and provide support to ongoing IAASB workstreams as they explore various aspects related to increased transparency in the auditor's report.¹²

- (d) All parties should continue to support informative auditor reporting, including meaningful engagement by investors and other stakeholders.

Approach to Developing the Recommendations

10. In developing the recommendations arising from the PIR, the ARIWG considered the following:

- (a) Whether the objectives of the PIR as outlined in paragraph 4 have been achieved. This involved further assessment of the information gathered, including the support for the changes to the auditor's report as well as the issues and implementation challenges noted by stakeholders relating to the significant themes identified (see **Sections IV-IX**).
- (b) The processes and procedures for selecting and prioritizing specific IAASB activities as set out in Components I-IV¹³ of the IAASB's Framework for Activities.
- (c) Coordination with other ongoing IAASB workstreams as outlined in the [IAASB's Revised Detailed Work Plan Table for 2020-2021](#), in order to leverage timely, relevant and appropriate responses to any issues and challenges identified.¹⁴
- (d) The broad reflections on the feedback received from the stakeholder survey, including that in certain cases more implementation experience is needed to arrive at appropriate conclusions.
- (e) That any future changes to the Auditor Reporting Standards by the IAASB should:
 - (i) Be based on targeted improvements (where justified) instead of lengthy projects; and
 - (ii) Consider the timing for any agreed changes in view of other IAASB projects, as well as the capacity of stakeholders to implement or absorb revisions to standards in relatively quick succession.

III. PIR Recommendations

11. The ARIWG's recommendations arising from the PIR are summarized in paragraphs 12-35 below. The ARIWG identified six significant themes of feedback from the PIR, which were discussed at the February 2021 IAASB mid-quarter meeting and included in the PIR Feedback Statement in June 2021 (see paragraph 6). Paragraph 36 below provides a summary of the PIR recommendations linked to the six significant themes (**Sections IV to IX** provide additional details about the PIR findings in support of the ARIWG recommendations).

¹² There are three workstreams in the IAASB's Work Plan for 2020-2021 that are undertaking information-gathering activities and exploring, among other aspects of the respective subject matters, aspects related to enhanced transparency in the auditor's report: Going Concern, Fraud and Implications for IAASB Standards of the IESBA Project, Definitions of Listed Entity and PIE (PIE workstream).

¹³ There are four components of the IAASB's Framework for Activities, as follows: Information Gathering and Research Activities (Component I); Revising and Developing Standards (Component II); Narrow Scope Maintenance of Standards (Component III); and Activities to Support Implementation of the IAASB's Standards (Component IV).

¹⁴ A survey was launched by the IAASB in May 2021 designed to inform the IAASB to develop its Work Plan for 2022–2023. This survey was open for input until August 5, 2021.

Summary of PIR Recommendations – Specific to the Significant Themes

PIR Recommendation # 1:

(see **Section IV**)

- ▶ Develop non-authoritative support material to provide guidance on identified implementation and other challenges relating to the description of KAM (also see recommendation # 7).
- ▶ Explore communication of KAM for PIEs as part of the IAASB's PIE workstream (i.e., whether to extend the requirement to communicate KAM from listed entities to PIEs).¹⁵

12. Notwithstanding broad support for, and recognition of the value and benefits of KAM, the feedback from the PIR highlighted a number of implementation and other challenges, which the ARIWG believes could be best addressed through non-authoritative support material to:
 - Provide guidance for describing KAM in an informative, succinct manner, avoiding boilerplate, and keeping KAM “fresh” year over year.
 - Provide guidance about the description of the outcome of the audit procedures or key observations with respect to KAM.
13. In forming this recommendation, the ARIWG was of the view that these matters do not presently warrant a standard-setting response from the IAASB. The ARIWG considered the more recent adoption of the Auditor Reporting Standards in certain major jurisdictions, as well as jurisdictions that are undertaking further information-gathering and research activities to understand the impact and implications of possible enhancements to KAM communications. The ARIWG also recommends ongoing monitoring and engagement with stakeholders (including National Standard Setters (NSS) and others) to fully understand the extent of global developments and the demand for mandating the description of the outcome of the audit procedures or key observations with respect to KAM, and on descriptions of KAM (see recommendation # 9 below).
14. A specific aspect that was explored as part of the PIR was whether the communication of KAM, which ISA 701 mandates for audits of listed entities, should be extended to entities other than listed entities. There was support in the feedback across all stakeholder constituencies to require communication of KAM for PIEs. The ARIWG also noted the feedback received from some stakeholders that any decision about extending the communication of KAM to PIEs is best addressed by individual jurisdictions.
15. The ARIWG considers that the PIE workstream is best placed to explore these matters through the proposed case-by-case approach for determining whether differential requirements in IAASB Standards should be extended beyond listed entities, with support and input from the ARIWG as needed (see recommendation # 8 below).¹⁶

¹⁵ The PIE workstream is currently exploring the implications for the IAASB Standards of the IESBA project on the definitions of listed entity and PIE to inform the IAASB's decisions about whether to initiate a project to undertake narrow-scope amendments of the IAASB's Standards. See the [PIE workstream project webpage](#) for more information.

¹⁶ For further information about the proposed case-by-case approach, refer to the PIE issues papers for the November 2020 ([Agenda Item 1](#)) and July 2021 ([Agenda Item 3](#)) IAASB mid-quarter meetings.

PIR Recommendation # 2:

(see **Section V**)

- ▶ Provide support and input to the Going Concern Working Group as it explores further actions related to going concern matters in the auditor's report as part of its broader focus on ISA 570 (Revised) (also see recommendation # 8).

16. The IAASB is currently exploring further actions on going concern in an audit of financial statements through its Going Concern workstream in response to stakeholder input received from the IAASB Fraud and Going Concern Discussion Paper. There was consistency in the feedback provided between the information gathered through the PIR in relation to going concern and the input received from this Discussion Paper, including respondent calls for close coordination between these two workstreams as actions are being developed with respect to matters relating to going concern in the auditor's report.
17. The ARIWG recommends it coordinate with, and provide support as needed to, the Going Concern Working Group as it undertakes its work and explores further actions, which may include standard-setting, issuance of non-authoritative guidance, or other actions.

PIR Recommendation # 3:

(see **Section VI**)

To enhance the understandability and consistent implementation of certain aspects of ISA 720 (Revised):

- ▶ Develop additional guidance, leveraging where possible what has been done at the jurisdictional level; and
- ▶ Consider possible targeted revisions to ISA 720 (Revised) as part of the IAASB's future work plan decisions in accordance with the IAASB's Framework for Activities (and following applicable due process).

18. The OI section was regarded as less useful to some stakeholders, including investors, and there were a number of implementation and other challenges encountered with respect to ISA 720 (Revised) that can be summarized into the following five broad categories (which are discussed in **Section VI**):
 - Length, complexity, and understandability of the OI section;
 - Clarity about whether the auditor's opinion extends to the other information;
 - Placement of the OI section in the auditor's report;
 - Challenges with the scope of the other information, including variation across jurisdictions with what is considered other information, ambiguity in the definition of annual report and the lack of clarity about whether certain documents are within the scope of the standard; and
 - Challenges when the other information is not available at the date of the auditor's report.
19. The ARIWG is of the view that further education for users and preparers undertaken by NSS would be helpful to enhance their understanding about the purpose of, and transparency provided by, the OI section. The ARIWG also considers that ongoing engagement with stakeholders (including NSS and others) is relevant given the jurisdictional diversity of what constitutes other information and the

important role these stakeholders have to support effective implementation of the standard nationally. In addition, ongoing engagement is relevant to monitor the rapidly evolving developments in corporate reporting globally, particularly around the growing role of non-financial information (e.g., social corporate responsibility reports, sustainability reports and integrated reports). There are also benefits that could be achieved in the near term through providing guidance on targeted matters through developing non-authoritative support material and by leveraging guidance developed by NSS and others (see recommendation # 7 below).

20. Notwithstanding the above, the ARIWG is of the view that guidance and education alone may not be sufficient to address all the issues and challenges noted by stakeholders with the OI section, and that a standard-setting response may be appropriate.¹⁷ This would have to be evaluated within the context of other competing work plan priorities, applying the IAASB's Framework for Activities.

PIR Recommendation # 4:

(see **Section VII**)

- ▶ Develop non-authoritative support material for circumstances in which an individual other than the engagement partner (EP) signs the auditor's report.

21. The PIR findings related to other elements of the auditor's report, as addressed in **Section VII**, included circumstances in which an individual other than the EP signs the auditor's report (i.e., either instead of, or on behalf of the EP).
22. The ARIWG discussed the findings from a survey undertaken by the External Reporting Board of New Zealand in coordination with the IAASB about such circumstances. This survey found that there are a wide variety of circumstances in which individuals other than the EP sign the auditor's report. Local law or regulation may contain requirements as to who should sign the auditor's report, and in some cases may set forth the expected level of involvement of such individuals in the audit.
23. The ARIWG is of the view that further guidance would be helpful to provide clarity in these circumstances, recognizing that the respective jurisdictions remain responsible to address the specific responsibilities of those individuals other than the EP that sign the auditor's report at their national level. Therefore, the ARIWG recommends the development of non-authoritative support material as outlined in paragraphs 90-92.
24. Regarding other elements of the auditor's report more broadly, the ARIWG noted various national / jurisdiction level modifications (e.g., alignment with statutory requirements, and addressing the name of the engagement partner and relevant ethical requirements in the auditor's report). However, the ARIWG does not believe that these have risen to a level of requiring a global response at this stage and is of the view that there should be ongoing monitoring of jurisdictional developments and implementation experiences in these areas (see recommendation # 9 below).

¹⁷ The IAASB's public consultation on its Work Plan for 2022-2023 closed on August 5 (see feedback at the September 2021 IAASB meeting, [Agenda Item 4](#)). Two respondents (a global firm and one Professional Accountancy Organization (PAO)) identified that ISA 720 (Revised) could be a candidate for a narrow-scope maintenance of standard project (Component III of the Framework for Activities).

PIR Recommendation # 5:

(see **Section VIII**)

- ▶ Continue monitoring global developments and engage with stakeholders as needed to fully understand the demand for communication of certain additional information in the auditor's report, including about materiality and the scope of the audit (also see recommendation # 9).

25. A specific aspect that was explored as part of the PIR was the communication of information in the auditor's report about materiality and the scope of the audit, as had been observed in practice (either voluntarily or as required in certain instances). The ARIWG took into account the feedback from respondents (which was mixed and divided between different stakeholder constituencies), its analysis of academic research and other literature, jurisdictional developments and the fact that these matters were extensively debated by the IAASB at the time the Auditor Reporting Standards were developed.
26. Although enhanced transparency and consistency and comparability in auditor reporting globally is in the public interest, the ARIWG believes that, on balance, a standard-setting response is not required at this stage. In forming this recommendation, the ARIWG is of the view that more time is necessary for practice to evolve in these areas, also taking into account the more recent adoption of the Auditor Reporting Standards in certain major jurisdictions, as well as jurisdictions that are undertaking further information-gathering and research activities to understand the impact and implications of communicating such additional information.

PIR Recommendation # 6:

(see **Section IX**)

- ▶ Explore the demand for aligning the form, structure and presentation of other assurance reports¹⁸ with the auditor's report when the relevant standards are next proposed for revision (i.e., as part of future work plan decisions in accordance with the IAASB's Framework for Activities).

27. In developing this recommendation, the ARIWG noted that while there was some demand for aligning assurance reports for other engagements with the auditor's report on an audit of financial statements, especially for those elements that relate to the structure of the report, the feedback was mixed and the support was not widespread.
28. In addition, the ARIWG is of the view that there is value in exploring further how to enhance the consistency between interim review and full year reports issued by the auditor, especially for listed entities, and that this could be best achieved when ISRE 2410¹⁹ is opened for revisions given that this standard is more closely related to the ISAs.
29. Finally, the ARIWG discussed respondents' concerns regarding inconsistency in the treatment for reporting purposes of a material uncertainty related to going concern in an interim review report by the auditor of a listed entity versus the year end auditor's report. Until ISRE 2410 is opened up for revisions,

¹⁸ The assurance reports for other engagements include review engagements prepared in accordance with International Standards on Review Engagements (ISREs) and other assurance engagements prepared in accordance with International Standards on Assurance Engagements (ISAEs).

¹⁹ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

the ARIWG recommends that guidance be provided through developing non-authoritative support material to provide further clarity about this matter (see recommendation # 7 below).

Summary of PIR Recommendations – General, Cutting Across Various Significant Themes

PIR Recommendation # 7:

- ▶ Update the Auditor Reporting: Frequently Asked Questions to address certain of the practical challenges identified through the PIR.

30. In 2016, the ARIWG developed the [Auditor Reporting: Frequently Asked Questions](#) (AR FAQs) that aimed to support the implementation of the new and revised Auditor Reporting Standards and ISA 720 (Revised). The AR FAQs addressed matters brought to the ARIWG's attention based on feedback from actual implementation experiences and they aimed to address those areas where practical challenges were being experienced by stakeholders at the time.
31. The ARIWG recommends that updating the AR FAQs will be an appropriate means to develop non-authoritative support material to address certain of the challenges identified through the PIR. It would enable a timely, effective and targeted response for many of the matters raised during the PIR. Topics proposed to be addressed in the updated FAQs are highlighted in green boxes in **Sections IV (KAM), VI (Other information) and IX (Assurance reports for other engagements)**.

PIR Recommendation # 8:

- ▶ Provide support and input to the following IAASB Working Groups as they progress their work and explore further actions related to going concern matters, the consideration of fraud in an audit of financial statements and implications for the IAASB standards arising from the IESBA project on the definitions of listed entity and PIE, respectively:
 - Going Concern Working Group (also see recommendation # 2)
 - Fraud Working Group
 - PIE Working Group

32. Specific aspects related to increased transparency in the auditor's report were raised in feedback received relating to going concern (see **Section V** and recommendation # 2) and respondents' comments on the communication of additional information in the auditor's report (other than information about materiality and the scope of the audit, which is addressed in **Section VIII** – see recommendation # 5).
33. Improving the transparency for specific aspects about the audit that was performed through enhanced communication in the auditor's report has been identified as a topic, among other subject-matter specific topics, that is being more extensively explored by the Going Concern, Fraud and PIE Working Groups. Recognizing that these Working Groups are best placed to address the separate auditor reporting aspects related to each of these topics, the ARIWG recommends that close coordination with (and between) the Working Groups continues as they each explore possible further actions, which may include standard-setting, non-authoritative guidance, or other actions.
34. The PIR also identified a number of other aspects that were variously suggested by respondents to the stakeholder survey and from other information-gathering activities regarding further information that may

be considered to enhance transparency in the auditor's report (as presented in [Agenda Item 3](#) of the February 2021 IAASB mid-quarter meeting and highlighted in **Sections VII** and **VIII** of this paper). On balance, the ARIWG is of the view that a standard-setting response to address such aspects is not indicated at present but recommends ongoing monitoring and engagement with stakeholders (including NSS and others) to fully understand the extent of global developments and the demand for certain additional information in the auditor's report (see recommendation # 9 below).

PIR Recommendation # 9:

- ▶ Continue engagement with stakeholders in support of informative auditor reporting, and continue to monitor global developments and implementation experiences.

35. The ARIWG considers that auditor reporting, as an overarching topic, should continue to be the subject of ongoing monitoring of global developments and implementation experiences, and engagement with stakeholders in support of alignment and consistency across auditor reporting regimes globally. Such monitoring and engagement would include those matters that have been identified as part of the PIR for which specific actions have not been recommended at this stage.

Summary of the PIR Recommendations Linked to Significant Themes Identified in the PIR

36. The PIR recommendations have been summarized into the following broad categories, for each significant theme identified (also see the chart below):²⁰
- (a) Ongoing Monitoring and Engagement with Others — For those areas where more time and implementation experience has been recommended as necessary to fully understand the extent of the global developments and demand for additional information in, or revisiting requirements related to, the auditor's report. Such ongoing activities will be undertaken as contemplated in the IAASB's Framework for Activities for Category A topics.
 - (b) Coordination with Other Workstreams — For those areas where commonalities and synergies with other IAASB workstreams exist.
 - (c) Non-Authoritative Support Material — For those areas where guidance (developed either by the ARIWG, as part of other IAASB workstreams, or by leveraging guidance developed by others) is recommended as an effective and timely action to address questions and implementation challenges.
 - (d) Standard Setting — For those areas where a standard-setting response may be appropriate and could be explored as part of future work plan decisions in accordance with the IAASB's Framework for Activities (and following applicable due process).

²⁰ In the graph "N/A" indicates that there is no proposed recommendation for this category. Also see **Sections IV-IX** for further information on the recommendations proposed.

Auditor Reporting Post-Implementation Review (PIR)—Recommendations
IAASB Main Agenda (September 2021)

PIR Recommendations

PIR Theme	Ongoing Monitoring & Engagement with Others	Coordination with Other Workstreams	Non-Authoritative Support Material	Standard Setting Considerations
Key Audit Matters (KAM)	Outcome of the audit procedures or key observations with respect to KAM	KAM for PIEs – Support and Input to the PIE Working Group	AR FAQs (Update) <ul style="list-style-type: none"> ▶ 'Boilerplate' with KAM ▶ Outcome / key observation with KAM 	N/A
Going Concern (GC)	N/A	Education and guidance explored as part of the Going Concern workstream	Explored by the Going Concern workstream	Explored by the Going Concern workstream
OI Section of the Auditor's Report	Engagement with NSS and others; sharing and leveraging information	N/A	AR FAQs (Update) <ul style="list-style-type: none"> ▶ Examples of OI ▶ Targeted areas of ISA 720 (Revised) 	Explore need for targeted revisions
Other Elements of the Auditor's Report	N/A	N/A	Staff publication <ul style="list-style-type: none"> ▶ When the individual signing the auditor's report is not the EP 	N/A
Information Beyond What is Required to Improve Transparency	Materiality and scope of the audit	Other aspects of the audit – Going Concern, Fraud and PIE workstreams	Explored by the Going Concern, Fraud and PIE workstreams	Explored by the Going Concern, Fraud and PIE workstreams
Aligning Assurance Reports for Other Engagements	N/A	N/A	AR FAQs (Update) <ul style="list-style-type: none"> ▶ EOM in interim review report (ISRE 2410) vs MURGC in auditor's report (ISA 570 (Revised)) 	Explore alignment when the standards are opened for revision (e.g., ISRE 2410)

IV. Key Audit Matters (KAM)

*Summary of Stakeholder Feedback and Key Findings for this Theme:*²¹

- *Many benefits noted as a result of KAM, including enhanced and more robust communications between the auditor, management and Those Charges With Governance (TCWG), increased transparency about the audit, and improved disclosures that has led to enhanced financial reporting.*
- *Mixed views on the effects of KAM on user confidence and improved audit quality; link is not always straightforward although many improvements are observed.*
- *Challenges with KAM:*
 - *Describing KAM in an informative, yet succinct manner and avoiding boilerplate descriptions*
 - *Keeping KAM “fresh” and evolving year-to-year.*
- *Description of the outcome of the audit procedures or key observations with respect to KAM:*
 - *Descriptions of the outcome or key observations are found useful to understand the issues from the auditor’s point of view and to help reduce boilerplate descriptions in KAM.*
 - *Only a few firms/auditors choose to consistently report the outcome or key observations due to the perceived risks of providing separate opinions and increased liability for the auditor.*
- *KAM for entities other than listed entities:*
 - *Support for mandatory communication of KAM for PIEs with preference for this to remain a jurisdictional decision.*
 - *Majority did not support mandatory KAM for entities other than PIEs.*

Value of Communication of KAM

37. The ARIWG noted the broad support across all stakeholder groups and information gathering sources for the value of communication of KAM in the auditor’s report. This was particularly highlighted in responses from investors who found KAM to provide greater transparency about the audit and greater confidence that the auditor is focusing on those areas that are most likely to have a higher risk of material misstatement.
38. The ARIWG also discussed that there were mixed views on the effects of KAM on user confidence and enhanced audit quality but noted that from the responses there is evidence that there have been notable improvements as a result of KAM.

²¹ See paragraphs 31-53 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Section III of the PIR [Feedback Statement](#).

*Implementation and Other Challenges with KAM*²²

39. Notwithstanding the value and benefits of KAM, the ARIWG discussed that the most commonly cited challenges with respect to KAM were the following:

- Describing KAM in an informative, yet succinct manner (e.g., avoiding use of overly technical language);
- Avoiding boilerplate descriptions (e.g., making the descriptions as entity-specific as possible); and
- Keeping KAM “fresh” and evolving year-to-year.

These challenges were consistently identified in the feedback provided from all stakeholder constituencies and across all information gathering sources.

40. The ARIWG also discussed that some investors commented that communicating the same KAM year-to-year, when there are no expectations of circumstances that would give rise to a “new” KAM, was seen as a confirmation that there are no new critical issues that the auditor is concerned about. The ARIWG is of the view that it is useful to clarify that KAM that are well written, consistent over time and specific to the entity are not perceived as being boilerplate.

Providing further guidance further help to clarify this point.

41. **The ARIWG believes that further clarity would be helpful for practitioners to address the challenges outlined in paragraph 39 and recommends that this could effectively be achieved through updating the AR FAQs with further guidance.**

Update the AR FAQs:

- ▶ To provide guidance for describing KAM in an informative, succinct manner, avoiding boilerplate, and keeping KAM “fresh” year over year.

Description of the Outcome of the Audit Procedures or Key Observations with Respect to KAM

42. The ARIWG discussed that respondents found the descriptions of the outcome of the audit procedures or key observations with respect to KAM useful, as it provided an opportunity to understand the issues from the auditor’s point of view. On the other hand, there were also comments cautioning that mandating descriptions of the outcome of audit procedures or key observations with respect to KAM could be perceived as providing separate opinions on certain matters within the financial statements (i.e., piecemeal opinions). In addition, diversity was noted across jurisdictions and firms regarding the inclusion of outcomes or observations with respect to KAM.

43. In considering the feedback from respondents, the ARIWG discussed that:

- (a) ISA 701 does not prohibit an auditor from communicating additional information about a KAM, and provides guidance to auditors on additional information that the auditor may consider when communicating about KAM.²³ The standard explains that care is needed when providing descriptions of the outcome of the audit procedures with respect to KAM to avoid the auditor giving the impression that the description is conveying a separate opinion on an individual KAM that may

²² Also refer to **Section V** below for the challenges related to KAM, Material Uncertainty Related to Going Concern (MURGC), Emphasis of Matter (EOM) and Other Matter (OM) paragraphs.

²³ ISA 701, paragraph A46

call into question the auditor’s opinion on the financial statements as a whole.²⁴ **The ARIWG is of the view that further guidance to provide clarity about the requirements and application material in ISA 701 would be helpful in this area and recommends that this could be best achieved through updating the AR FAQs.**

Update the AR FAQs:

- ▶ To provide guidance about the description of the outcome of the audit procedures or key observations with respect to KAM.

- (b) In practice, auditors and firms are taking different approaches to the reporting of outcomes or key observations with respect to KAM. While some auditors provide very insightful descriptions and have used the reporting of outcomes to differentiate themselves in the marketplace, others have adopted a more generic approach to providing outcomes or observations (e.g., “no exceptions noted”).
44. As explained in **Section III** (recommendation # 1), the ARIWG is of the view that more adoption and implementation experience is needed, including time for practice to evolve in this area. **Accordingly, the ARIWG recommends further monitoring in this area to fully understand the extent of the global demand for mandating the description of the outcome of the audit procedures or key observations with respect to KAM.**

Requiring the Communication of KAM for Entities Other than Listed Entities

45. The ARIWG noted support across all stakeholder constituencies to require communication of KAM for PIEs, with a substantially higher preference indicated by investors and regulators relative to other respondent groups. Notwithstanding such support, respondents expressed a preference for this to remain a jurisdictional decision. Given the national differences in the definition of PIEs, stakeholders expressed caution about whether communicating KAM would provide the same value and benefit for all categories of PIEs if the scope is set too broadly at a global level.
46. Given the support for communicating KAM for PIEs, the ARIWG is of the view that the IAASB should further explore this matter. The ARIWG discussed that this could be most effectively undertaken as part of the PIE workstream. The PIE Working Group is well placed to undertake an evaluation as part of the proposed case-by-case approach relating to differential requirements for listed entities in the ISAs to determine whether the requirement to communicate KAM for listed entities should be applied more broadly to PIEs, pending the outcome of the IESBA project and the IAASB PIE Working Group’s further work in this area. In doing so, the ARIWG will share the relevant information gathered and the feedback obtained from the PIR with the PIE Working Group and provide further support and input to that Working Group as needed.
47. **As the PIE Working Group considers whether the differential requirements for listed entities should be extended to PIEs, the ARIWG recommends that the following broad reflections from stakeholders’ feedback should be taken into account:**
- **The majority support across all stakeholder constituencies for the communication of KAM for PIEs, with some respondents expressing a preference for this to remain a jurisdictional**

²⁴ ISA 701, paragraph A51

decision.

- **Whether the requirement to communicate KAM would provide the same value and benefit for all entities that are categorized as PIEs.**
48. **Given that majority of respondents across all stakeholder constituencies did not support the communication of KAM for entities other than PIEs, the ARIWG has no further recommendations in this area.**

V. Going Concern

*Summary of Stakeholder Feedback and Key Findings for this Theme:*²⁵

- *The section on MURGC was seen as a beneficial addition, and especially valuable in the current circumstances where many entities are facing uncertainties associated with the COVID-19 pandemic.*
- *Aspects that were found to be challenging:*
 - *More clarity is needed on the differences between KAM, MURGC, EOM and OM paragraphs.*
 - *Clarity is needed on communication about going concern in ‘close call’ situations.*
 - *Some calls for making the MURGC section similar to KAM so a fuller story could be told.*
- *Mixed views on inclusion of additional information in the auditor’s report about the auditor’s procedures relating to management’s going concern assessment.*

Value and Usefulness of the Section on MURGC

49. The ARIWG noted stakeholder feedback that found the inclusion of a section on MURGC as one of the most useful enhancements made to the Auditor Reporting Standards, along with KAM and the changes to the presentation of the auditor’s report (i.e., placement of the opinion first). The separate MURGC section was seen as especially helpful in the circumstances of the COVID-19 pandemic. Many entities are facing uncertainties because of the pandemic and the separate MURGC section gives more prominence and visibility to this aspect in the auditor’s report (relative to the previously required EOM paragraph), which is of relevance given the significant impact that going concern matters have on user confidence.
50. The ARIWG also discussed that the Going Concern workstream²⁶ is currently exploring further actions related to going concern in an audit of financial statements and is considering targeted changes to ISA 570 (Revised) in response to feedback received from the IAASB Fraud and Going Discussion Paper.

Challenges related to KAM, MURGC, EOM and OM Paragraphs

51. The ARIWG discussed that further clarity may be needed for:
- (a) The differences in the reporting requirements in the standards with respect to KAM, MURGC, EOM and OM paragraphs. Respondents commented that the interaction between the requirements and

²⁵ See paragraphs 54-64 and 44-45 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Sections III and IV of the PIR [Feedback Statement](#).

²⁶ See the [Going Concern workstream project webpage](#) for more information.

guidance in various ISAs (e.g., ISA 700 (Revised), ISA 701, ISA 706 (Revised) and ISA 570 (Revised)), and the interrelationships and differences between them, is not always obvious and straightforward.

- (b) The communication about going concern in “close call” situations. Stakeholder feedback indicated that there is lack of clarity about these situations as well as about the related auditor reporting requirements in the standards.
52. The ARIWG also considered respondents’ feedback from the IAASB Fraud and Going Concern Discussion Paper²⁷ and noted the consistency in the messages provided by stakeholders through this consultation and the information gathered through the PIR about the matters discussed in paragraph 51. The ARIWG is of the view that developing guidance to provide clarity about these challenges would help further enhance the understanding and consistent implementation of the standards. In doing so, it would also be helpful to consider how previously issued IAASB guidance might be helpful for addressing those matters.²⁸
53. The ARIWG is of the view that the Going Concern workstream is well placed to address these issues and to analyze the root causes of the identified challenges. **Therefore, the ARIWG recommends close coordination with the Going Concern Working Group as they explore possible actions that may include standard-setting, issuance of non-authoritative guidance, or other actions, and stands ready to support and provide input as may be needed.**

Auditor’s Procedures Relating to Management’s Going Concern Assessment

54. The ARIWG noted the mixed feedback received in relation to inclusion of additional information on the auditor’s procedures relating to management’s going concern assessment. At an overarching level, stakeholders commented that everyone in the financial reporting ecosystem has a role to play in this space, including auditors, international accounting standard setters (by enhancing going concern disclosures) and management and TCWG (by providing more relevant information about the assessment of going concern).
55. The ARIWG is of the view that further exploration of education efforts would be helpful to foster enhanced user understanding of the roles of each party in the financial reporting ecosystem. **The ARIWG recommends that this would be best explored as part of the work of the Going Concern Working Group and notes that the Going Concern Working Group already presented possible actions along these lines to the Board at the May 2021 IAASB mid-quarter meeting.**³²

VI. Other Information Section of the Auditor’s Report

*Summary of Stakeholder Feedback and Key Findings for this Theme:*²⁹

- *The OI section was not regarded as particularly useful for certain stakeholders (e.g., investors) who do not place significant reliance on this section.*

²⁷ See [Agenda Item 5](#) of the May 2021 IAASB meeting for a summary of feedback on going concern and the Going Concern Working Group’s initial thinking regarding possible actions.

²⁸ IAASB Staff issued a Staff Audit Practice Alert in May 2020 focusing on [Auditor Reporting in the Current Evolving Environment Due to COVID-19](#).

²⁹ See paragraphs 68-76 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Section V of the PIR [Feedback Statement](#).

- Overall, respondents indicated that it was clear that the auditor's opinion on the financial statements does not extend to the other information included in the annual report; however, some confusion is present (i.e., wording and positioning of this section), and investors have indicated the lowest level of clarity in this regard.
- Implementation and other challenges identified relate mainly to the following:
 - Difficulties encountered in identifying the other information (i.e., the scope)
 - Lack of relevant reporting and inconsistencies when the other information is not available at the date of the auditor's report.

Usefulness of the OI Section

56. The ARIWG noted that overall the responses indicated that the OI section was considered useful. Respondents commented that this section provided users of financial statements with greater clarity and transparency about the other information included in the annual report and helped clarify the auditor's responsibility related to such information, especially as it reinforced to readers that some information in the annual report is not audited.
57. However, the degree of usefulness of the OI section varied by stakeholder group. Less than half of preparers and TCWG, and approximately half of the investor and regulator respondents, found the OI section as useful or very useful. In particular, some users noted that they do not place significant reliance on this section, except possibly for any inconsistencies with the financial statements. NSS and PAOs and auditors found the OI section to be useful but highlighted a number of practical and other challenges with implementation of the standard (see further discussion in paragraphs 60-72).
58. The ARIWG is of the view that further education for users and preparers would be helpful to enhance their understanding about the purpose of, and transparency provided by, the OI section and that this could be further explored through ongoing engagement with stakeholders (including NSS and others).
59. **The ARIWG also considers that there are benefits that could be achieved in the near term through developing guidance and that this could be best achieved through updating the AR FAQs.**

Update the AR FAQs:

- ▶ To explain how the auditor's procedures on other information help to enhance the credibility of the financial statements and confidence in the auditor's report.
- ▶ To provide clarity how ISA 720 (Revised) relates to the overall objectives of the auditor.

Implementation and Other Challenges with Respect to the OI Section

60. As noted above, NSS and PAOs and auditors highlighted a number of practical and other challenges with implementation of ISA 720 (Revised). In order to further inform its recommendations to the IAASB with regard to the challenges related to the OI section, the ARIWG undertook a deeper analysis of the responses provided to the stakeholder survey to understand the root causes of the issues being raised and to analyze the differences in practice (see **Supplement A**).
61. Based on the deeper analysis, the ARIWG identified five broad categories of implementation challenges and other issues with OI, which are discussed in paragraphs 62-72 below.

Length, complexity, and understandability of the OI section

62. Respondents noted that the wording of the OI section in the auditor's report is technical and difficult to understand (e.g., with respect to what information has or has not been received). The length of the section also was noted as a concern.
63. Respondents commented that the OI section is often too vague and that there is large variation as to how the other information is identified and described in auditor's reports. In some jurisdictions, parts of the other information are being subject to assurance procedures with a reasonable assurance conclusion, and it has become a very complex exercise to distinguish which parts of the other information are subject to assurance and which parts are not, resulting in much complexity in the auditor's report.

Clarity about whether the auditor's opinion extends to the other information

64. Overall, the majority of respondents found it clear that the auditor's opinion does not extend to the OI section. However, there was less clarity for investors relative to other stakeholder groups.
65. Respondents commented that different users may have a very different impression about the extent of assurance provided over the other information (even though ISA 720 (Revised) requires a statement that the auditor does not express any form of assurance conclusion on the other information). For example, it is likely that unsophisticated users may have a perception that the other information is also audited, while for some other users it may not be clear which parts of the annual report are covered by the auditor's opinion (also see paragraph 63 above). In addition, some regulators commented that stakeholders might place too much reliance on the other information in the annual report.
66. Some respondents commented that although it is stated in the OI section that the auditor does not express an opinion on the other information, the use of the words "we have nothing to report" can be interpreted by some stakeholders as constituting 'an assurance opinion'.

Placement of the OI section in the auditor's report

67. Respondents had mixed views about the placement of the OI section in the auditor's report. Some found the placement after the auditor's opinion paragraph and KAM section helpful to distinguish this section and found that it did not distract user attention from the auditor's opinion. Others commented that the close proximity to the auditor's opinion (and given that this section is embedded in the middle of the auditor's report) may lead some users to perceive that the auditor's responsibilities related to other information are the same as those related to the audit of the financial statements (i.e., that the information is audited).
68. Some respondents suggested that it may be helpful to move the OI section closer to the end of the auditor's report or reposition the section to sit outside of the "Report on the Audit of the Financial Statements" (e.g., under a separate heading within the auditor's report).

Challenges with the scope of other information

69. The challenges with the scope of the other information are further grouped into three areas:
 - (a) There was variation across jurisdictions with what is considered other information.
 - Analysis of stakeholder responses indicated that there is great diversity across jurisdictions about what documents generally constitute other information and often there is more than one report that represents the equivalent of the annual report.

- There was also variation across jurisdictions on how an entity's reporting responsibilities are determined. While in some jurisdictions the scope of the other information and the entity's reporting responsibilities are clearly defined (e.g., by law or regulation), including the approval processes and timing for release of the other information, there is lack of clarity in other jurisdictions.
 - NSS have developed comprehensive guidance to support the implementation of the standard in their respective jurisdictions. This guidance, among other matters, clarifies what information is included in the annual report as well as providing examples of reports, documents and information that may be determined to be other information in a particular jurisdiction.
 - In certain cases, the ISA 720 (Revised) national equivalent standards were modified to include additional material that clarified the scope of the other information, provide additional guidance on what documents comprise the annual report and to support auditor decision making when, at the date of the auditor's report, the auditor obtained some of the final version of the other information.
- (b) Ambiguity in the definition of annual report.
- The analysis indicated that overall respondents had an understanding of what constituted other information included in the annual report in their jurisdiction but that there is a knowledge gap present and less clarity outside of the audit profession.
 - Some NSS commented that the definition of annual report was unclear and that there are concerns with respect to the completeness of the other information the auditor read and considered, which is inherently linked to the ambiguity associated with the definition of annual report.
- (c) Lack of clarity about whether certain documents are within the scope of the standard.
- From the responses, there was demand for further clarity and guidance for targeted issues to help determine whether documents in certain circumstances are within the scope of ISA 720 (Revised) (e.g., when the documents contain some but not all aspects of an annual report and to clarify the auditor's responsibilities for links included in the annual report to a website or to other documents on a website).
 - There was also an indication that certain types of reports such as social corporate responsibility reports, sustainability information/reports and integrated reports often form part of the other information included or issued alongside the annual report. This may be indicative of non-financial information reporting becoming increasingly mandated through law or regulation or the norm across jurisdictions. Respondents commented that it is not always clear whether such information that is issued alongside the annual report and is standalone but is referenced in the annual report forms part of other information or not.

Challenges when the other information is not available at the date of the auditor's report

70. For jurisdictions where the other information is usually received after the auditor's report is signed and for entities other than listed entities, there were views that the practical difficulties encountered with considering the other information outweighed the public interest benefits.

71. Comments were also made that when not all information is received at the date of the auditor's report the communication in the auditor's report could be simplified (i.e., not specifically indicating what information had or had not been received).
72. Respondents also noted that there is lack of clarity around exactly what the auditor is expected to do when a material misstatement or inconsistency is identified in the other information that is received after the date of the auditor's report, and that more guidance is required on whether the auditor's report can or should be reissued when the other information has been received, and how to deal with describing the other information when the auditor's report is reissued and whether dual dating is required.

ARIWG Views on the Implementation and Other Challenges with the OI Section

73. The ARIWG's views are outlined below for the broad areas where challenges were encountered:
 - (a) *Length, complexity, and understandability of the OI section.* The ARIWG discussed that some of the challenges noted about the OI (e.g., what information constitutes the annual report, describing what other information has or has not been received at the date of the auditor's report) has led to concerns about the use of technical language and the overall complexity of the OI section. The ARIWG also notes that this may be contributing to more general concerns about the length and understandability of the auditor's report.
 - (b) *Clarity about whether the auditor's opinion extends to the other information.* The ARIWG discussed that there was less clarity for investors relative to other stakeholder groups about whether the auditor's opinion extends to the other information and noted that there is value in exploring further how this understanding can be enhanced. Further education for users in this area would be helpful and this can be explored through ongoing engagement with stakeholders (including NSS and others). The ARIWG also discussed that the wording of the OI section should be explored, if revisions to the standard are considered, to further clarify that the auditor's opinion does not extend to the other information.
 - (c) *Placement of the OI section in the auditor's report.* Given the mixed views of respondents, the ARIWG believes that further exploration is required to determine whether the placement of the OI section in the auditor's report remains appropriate and that this should be undertaken if revisions to the standard are considered.
 - (d) *Challenges with the scope of other information.* The ARIWG discussed that there is some evidence suggesting that practice is developing to resolve some of the challenges related with the scope of the other information, for example through guidance provided alongside or within the national equivalent standard of ISA 720 (Revised), or otherwise clarifying what other information entails within a particular jurisdictional context. However, at the same time, there is a need for further clarity and guidance around the issues with identifying which other information is included in the annual report and therefore affecting the scope of the auditor's responsibilities to read and consider the other information, and the communication of such in the auditor's report.

The ARIWG also noted the evolving trends in corporate reporting, and indications of the increasing role and importance of non-financial information. Given these trends, the ARIWG discussed that it may be necessary at some point to revisit some of the application material of ISA 720 (Revised) in order to update it for these evolving trends.

The ARIWG considers that it is important to continue to engage closely with NSS and others and to leverage the jurisdictional guidance being developed. There are also benefits that could be

achieved by developing further guidance for targeted issues related to the scope of other information and the annual report, and by providing examples of what is (or is not) other information for purposes of ISA 720 (Revised).

Given national differences and the variety of what constitutes other information, the ARIWG discussed that the definitions of annual report and other information were designed to be flexible to account for these national variations. However, based on the feedback received there is a need for providing further clarity around those definitions, which should be explored if revisions to ISA 720 (Revised) are considered.

- (e) *Challenges when the other information is not available at the date of the auditor's report.* The ARIWG noted respondents' comments that the difficulties encountered with the auditor's responsibilities to read and consider the other information for entities other than listed entities, particularly when the other information is not available at the date of the auditor's report, outweigh its value.

The ARIWG discussed that the issue of improving transparency about the other information obtained after the date of the auditor's report was extensively debated at the time ISA 720 (Revised) was exposed in 2012 and also during re-exposure in 2014. At the time, on balance, the Board concluded that requiring auditors of financial statements of listed entities to identify in the auditor's report other information not yet received at the date of the auditor's report would improve transparency for those entities where law or regulation was most likely to clearly set out the expected nature, content and timing of such other information. For other entities, the IAASB determined that the practical difficulties that may be encountered outweighed the public interest benefits of aligning the reporting with that of listed entities. Instead, the Board decided to include application material to indicate that, for audits of entities other than listed entities, the auditor may consider identifying the other information expected to be obtained after the date of the auditor's report that is subject to the auditor's responsibilities.

The ARIWG is of the view that the issues and difficulties around the auditor's responsibilities to read and consider the other information for entities other than listed entities that is not available at the date of the auditor's report, as well as its perceived value relative to the public interest benefits of these requirements, may need to be further considered.

The ARIWG also discussed that developing guidance would be helpful for some areas where respondents noted the need for further clarity when the other information is not available at the date of the auditor's report, for example, to provide clarity around questions about reissuing the auditor's report, exactly what the auditor is expected to do when a material misstatement or inconsistency is identified or how to deal with describing other information when the auditor's report is reissued.

ARIWG Recommendations

74. The ARIWG believes that close engagement with NSS and others in this area is relevant given the jurisdictional diversity of what constitutes other information and the annual report, and the important role these stakeholders have to support effective implementation of the standard nationally. **The ARIWG recommends that there should be close engagement with NSS and others in this area, through sharing information about the evolving trends in corporate reporting, leveraging the implementation material developed by NSS and others, and by exploring education.**

75. The ARIWG also believes that benefits could be achieved in the short term by developing further guidance to address some of the challenges identified with the OI section. **The ARIWG recommends that this could best be achieved through updating the AR FAQs.**

76. **Notwithstanding the above, the ARIWG is of the view that education and guidance alone may not be sufficient to address all the issues and challenges noted by stakeholders with the OI section, and recommends that the IAASB should consider whether standard-setting is needed to enhance the understandability**

Update the AR FAQs:

- ▶ To provide examples of what is (or is not) other information for purposes of ISA 720 (Revised) (noting that this is subject to specific jurisdictional requirements or guidance).
- ▶ To provide further clarity for targeted matters relating to: (i) the scope of ISA 720 (Revised) and (ii) matters related to circumstances when the OI is not available at the time the auditor's report is signed.

and consistent implementation of certain aspects of ISA 720 (Revised). The ARIWG acknowledges that any standard-setting actions relating to ISA 720 (Revised) may best be considered as part of future work plan decisions in accordance with the IAASB's Framework for Activities.

VII. Other Elements of the Auditor's Report

*Summary of Stakeholder Feedback and Key Findings for this Theme:*³⁰

- *Positioning the opinion section first was considered an important enhancement:*
 - *Information of most relevance is now found upfront.*
 - *Provides important context for the reader.*
- *Certain developments in relation to relevant ethical requirements, for example, regarding non-audit services, may be considered to have an impact on the auditor's statement in the auditor's report.*
- *Some concern expressed that the auditor's reports have become too long, with certain non-entity specific information repeated in every auditor's report that is perceived by users to be less valuable (e.g., the description of the respective responsibilities).*
- *In certain jurisdictions, implementation challenges were indicated with respect to the disclosure of the name of the EP (e.g., due to various reasons the individual signing the auditor's report might not necessarily be the same as the EP).*

77. **The ARIWG is of the view that no further actions are deemed necessary with respect to the other elements of the auditor's report.**³¹

³⁰ See paragraphs 65-67 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Section VI of the PIR [Feedback Statement](#).

³¹ The other elements of the revisions to the Auditor Reporting Standards included: (i) changes to the presentation of the auditor's report (i.e., opinion section required to be presented first, followed by the basis for opinion section); (ii) inclusion of an affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, as well as identification of the relevant ethical requirements relating to the audit; (iii) descriptions of the respective responsibilities of the auditor and of management and those charged with governance; and (iv) communicating the name of the engagement partner.

78. The ARIWG discussed that the change in the presentation of the auditor's report (i.e., opinion section required to be presented first) was very well received. Some feedback was received that the language used in some of the other sections is non-entity specific and repeated in every auditor's report and therefore impacting perceptions about usefulness. However, the ARIWG noted the IAASB discussion at the time the Auditor Reporting Standards were developed that these are important elements of the auditor's report that clarify the respective responsibilities of the auditor, management and TCWG for the audit that has been performed. Therefore, the ARIWG continues to believe that the wording of these sections should be consistent across all auditor's reports.
79. The ARIWG performed a deeper analysis of, and undertook follow-up outreach regarding national / jurisdictional level changes or modifications to the equivalent of the IAASB Auditor Reporting Standards (e.g., new or different or incremental requirements) (see **Supplement C**). In addition to matters noted in relation to KAM, going concern, the OI section, and additional disclosures (such as materiality and the scope of the audit), which are addressed as separate themes, the ARIWG noted various modifications across jurisdictions, the most prominent of which related to necessary alignments with local statutory requirements, disclosing (or not disclosing) the name of the engagement partner and around relevant ethical requirements, including auditor independence. Regarding the latter, there are variations in terms of identifying or referring to relevant ethical requirements in the auditor's report and exploration of how recent changes to the IESBA Code may be addressed in the auditor's report (e.g., relating to audit fees and non-audit services). The ARIWG is of the view that there should be ongoing monitoring of jurisdictional developments and implementation experiences in this regard.

Auditor Reporting Implications in Circumstances in Which an Individual Other than the EP Signs the Auditor's Report

80. The ARIWG discussed the implications arising from circumstances in which an individual other than the EP signs the auditor's report (i.e., either instead of, or on behalf of the EP). The paragraphs below provide further background information on this matter and the ARIWG views as a result of its deliberations.

Summary of Prior IAASB Discussions

81. The issue of whether the IAASB should explore whether to address situations in which an individual other than the EP signs the auditor's report (hereafter referred to as the Signing Partner (SP)) was covered in the Invitation to Comment (December 2015), [Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits](#). The majority of those commenting on this specific aspect were not supportive of the IAASB addressing this topic, noting in particular possibly unintended consequences of undermining the responsibility of the EP for the performance of the audit.³²
82. The issues around the names and signatures included in the auditor's report were extensively discussed in the Invitation to Comment (June 2012), [Improving the Auditor's Report](#). The Invitation to Comment noted that the IAASB was not proposing that EPs' signatures be required, as mandating the EP's signature in the auditor's report would be left to the discretion of NSS or may be specified by law or regulation.

³² The Feedback to the Invitation to Comment was discussed by the IAASB at its September 2016 meeting. See paragraph 17 of [Agenda Item 5-A](#).

83. At its June 2018 meeting, the ISA 220 Task Force (working to revise ISA 220³³) discussed with the IAASB the circumstances in which an individual other than the EP signs the auditor's report.³⁴
84. The majority of the ISA 220 Task Force believed that, given the variation in jurisdictional law, regulation or practices, it is not possible for the IAASB to develop requirements and guidance that would be broadly applicable to all the various situations that may arise and that national law or regulation or requirements established by NSS are the proper means for establishing specific requirements as to who should sign the auditor's report in given jurisdictions. In addition, acknowledging the existence of a SP other than the EP would also not give transparency as to the identity of such a signatory – and it may therefore be seen as confusing who is ultimately responsible for the quality of the engagement. One ISA 220 Task Force member believed that this practice is reasonably common in certain jurisdictions as well as being a key characteristic of “audits of letterbox companies” and preferred that the ISA 220 (Revised) application material provide guidance on that person's role (i.e., the SP) and their responsibility for quality. The Board concluded that this matter needed to be further explored.

Signing Partner Survey

85. In May-July 2020, a survey was undertaken by the External Reporting Board of New Zealand in coordination with the IAASB to further understand the issues pertaining to situations where, in an audit of financial statements, the SP in the auditor's report differs from the EP. The primary objective of the survey was to provide a basis for developing informed recommendations to the IAASB for possible further actions (which may include standard-setting or developing non-authoritative support material).
86. The survey included questions aimed at three groups of stakeholders: NSS, audit firms (including public sector auditors) and audit oversight and regulatory bodies, to understand the reasons why these situations occur and also to obtain examples of the different policies and practices in place for these circumstances.
87. 64 responses from 12 jurisdictions were received in response to the survey. Approximately 30% of the respondents indicated instances in their jurisdiction where an individual other than the EP signs the auditor's report. **Supplement B** provides a summary of the findings from the signing partner survey.
88. The findings of the signing partner survey are consistent with previous feedback from the auditor reporting project and subsequent ISA 220 Task Force research. These have shown that there are a wide variety of circumstances related to the signing of auditor reports by individuals other than the EP, and local law or regulation may contain requirements as to who should sign the auditor's report, and in some cases may set forth the expected level of involvement of such individuals in the audit. For example:
 - In certain jurisdictions, local auditing standards or applicable laws prohibit anyone other than the EP from signing the auditor's report.
 - In other jurisdictions, law or regulation set forth eligibility criteria for an individual other than the EP who may sign the auditor's report under specific circumstances. Those individuals assume

³³ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

³⁴ See [Agenda Item 6](#) of the June 2018 IAASB meeting and the approved [IAASB Minutes](#).

responsibility for the audit by virtue of signing the auditor's report and must undertake appropriate review procedures to ensure that the audit is conducted appropriately in all material respects.

- Legislation in the public sector requires the public sector auditor (i.e., the auditor general) to sign the auditor's reports for certain public entities, even when the public sector auditor is not the EP.
 - In some jurisdictions, other individuals may sign the auditor's report for various reasons (e.g., the office managing partner or an experienced salaried staff of the practice who is suitably skilled and experienced). In these circumstances there may be jurisdictional requirements or firm guidance regarding the procedures that such individuals should perform.
89. The signing partner survey also found that in most cases in which an individual other than the EP signs the auditor's report there are generally certain actions and measures the SP must undertake before being able to sign the auditor's report. For example:
- The SP is involved in all the key phases of the audit engagement.
 - The SP is required to review and conclude on key areas of the audit (such as key planning decisions, appropriateness of the designed responses to significant risks and other high risks of material misstatements, sufficiency and appropriateness of audit evidence obtained to address significant risks, etc.).
 - The engagement is treated similarly to a group audit engagement and ISA 600³⁵ is followed to guide how the SP can appropriately assume responsibility for all delegated activities.
 - The SP will review the file before signing the engagement and there are certain requirements as to what aspects of the engagement the SP is required to review.

ARIWG Recommendations

90. **The ARIWG recommends the development of non-authoritative support material to provide guidance for those circumstances when the auditor's report is signed by an individual other than the EP. This could be done by developing a Staff publication to raise awareness about existing requirements and application material in the standards and direct stakeholder attention to the relevant provisions of the ISAs.**
91. The ARIWG is of the view that the guidance would be helpful to:
- (a) Emphasize that the EP has the overall responsibility for managing and achieving quality on the audit engagement and remains ultimately responsible and accountable for compliance with ISA 220 (Revised), including for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm.
 - (b) Highlight that ISA 220 (Revised) permits the assignment of the performance of procedures, tasks or actions to appropriately skilled or suitably experienced members of the engagement team, when applicable. However, this does not undermine the EP's overall responsibility to be satisfied that ISA 220 (Revised) has been complied with, including the 'stand-back' requirement in paragraph 40 of ISA 220 (Revised) relating to the EP taking overall responsibility for managing and achieving quality.
 - (c) Explain that while the EP remains responsible for the audit engagement and its performance,

³⁵ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

and for the auditor's report that is issued on behalf of the firm, the ISAs do not require the EP to actually sign the auditor's report.

- (d) Clarify that ISA 700 (Revised) requires the name of the EP to be included in the auditor's report for audits of financial statements of listed entities but does not have requirements about the responsibilities of the individual signing the auditor's report.
 - (e) Acknowledge there are variety of reasons and situations why an individual other than the EP would sign the auditor's report and refer to examples from the signing partner survey. However, given national differences, the guidance should emphasize that the specific responsibilities of the SP would need to be further specified or addressed at a national level.
92. The ARIWG discussed that the signing partner survey did not identify any literature research on the topic, and none were identified from the responses to the survey,³⁶ but there was reference to certain jurisdictional guidance that is considered a helpful basis for developing the proposed non-authoritative support material.

VIII. Information Beyond What is Required to Improve Transparency

*Summary of Stakeholder Feedback and Key Findings for this Theme:*³⁷

Materiality and scope of the audit

- *Mixed views among different stakeholder constituencies*
 - *Investors, regulators, and preparers and TCWG found it useful or very useful as it may further enhance their understanding of the audit that was performed.*
 - *NSS and PAOs, and auditors, questioned the demand for, value of, and additional challenges and consequences related to, such further disclosures, noting that there had been limited or no demand in their jurisdictions for inclusion of such information when not otherwise required.*

Other aspects of the audit

- *Some support for inclusion of further insight about what the auditor has done with respect to fraud given the existing 'expectation gap.'*
- *Caution that more implementation experience is needed and it may be too soon to propose further changes.*
- *Balance needed between making the auditor's report longer versus making it more usable (i.e., focus needed on making its content as engaging as possible and more accessible to the user).*

93. The PIR explored whether the communication of certain additional information in the auditor's report would be useful in further enhancing the understanding of the audit that was performed and, if not otherwise required, whether there is a demand for such additional information. This included a focus on additional information with respect to materiality applied by the auditor in conducting the audit, inclusion of

³⁶ The signing partner survey included specific questions for respondents that inquired about available research on the topic.

³⁷ See paragraphs 77-92 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Section VII of the PIR [Feedback Statement](#).

information about the scope of the audit (i.e., the auditor's approach) and information about any other aspects of the audit.

Materiality and Scope of the Audit

94. The ARIWG discussed that communicating information about the materiality applied by the auditor in conducting the audit and inclusion of information about the scope of the audit were extensively debated by the IAASB when the revisions to the Auditor Reporting Standards were being developed. At the time the Board decided not to require such communication due to the mixed views expressed by stakeholders whether such information would help enhance the understanding of the audit that was performed.
95. The ARIWG notes that stakeholder feedback continues to be mixed in these areas. Although this information was found useful, stakeholders at the same time responded that there had been limited or no demand in their jurisdictions for inclusion of additional information on materiality or the scope of the audit in the auditor's report when not otherwise required. The ARIWG also is of the view that consideration is merited in terms of which stakeholder groups held these respective views, i.e., investors, regulators, and preparers and TCWG relating to the former, and NSS and PAOs, and auditors relating to the latter. The academic research and other literature review also indicated mixed views in relation to these topics,³⁸ and participants at the virtual roundtable recognized the complexities around these concepts, especially with regard to materiality.
96. The ARIWG also discussed that these are areas where there are presently differences between the various auditor reporting regimes globally. Regulators in the United Kingdom and the Netherlands require information about materiality and the scope of the audit to be disclosed in the auditor's report, but such information is currently not required to be communicated in most other major jurisdictions. **Given that international convergence of the auditor reporting regimes would be in the public interest to enhance consistency in auditor's reporting, the ARIWG recommends further engagement with others to monitor the global developments in these areas to fully understand the global demand for enhanced transparency in the auditor's report.**

Other Aspects of the Audit

97. The ARIWG discussed stakeholders' diverse views about whether further information about other aspects of the audit could increase transparency and enhance the understanding of the audit that was performed, and what information might be considered useful. The ARIWG also noted overarching messages provided by respondents in this area that, for purposes of maintaining understandability, a balance is needed between presenting more information versus the length and complexity of the auditor's report.
98. The ARIWG also discussed that specific aspects related to increased transparency in the auditor's report are presently being more extensively explored by the IAASB as part of certain other workstreams. Although affecting different sections of the auditor's report and the differences in the nature of the communications being explored, the Going Concern, Fraud and PIE workstreams each include an element(s) of possible enhanced transparency through the auditor's report. The ARIWG is of the view that these respective Working Groups are best placed to address auditor reporting aspects within the broader context of their work that is focused on each of the respective subject matters. **The ARIWG recommends close coordination with (and between) the Going Concern, Fraud and PIE**

³⁸ Experimental research undertaken could not identify a material effect of expanding the auditor's report to include the materiality level. Other research and investor surveys undertaken suggested support for inclusion of materiality in some jurisdictions while in others, investors were indifferent as to whether materiality should be included in the auditor's report.

workstreams as they explore possible actions that may include standard-setting, issuance of non-authoritative guidance, or other actions, and stands ready to support and provide input as may be needed. Also see **Section V**, which addresses Going Concern as a separate theme identified as part of the PIR.³⁹

IX. Aligning Assurance Reports for Other Engagements

*Summary of Stakeholder Feedback and Key Findings for this Theme:*⁴⁰

- *Concerns relating to communicating KAM in reports for other assurance engagements:*
 - *Users may perceive a greater level of assurance than that provided by a limited assurance engagement.*
 - *Costs may outweigh benefits for these types of engagements.*
 - *A need to maintain a clear distinction between other types of assurance engagements and audits of financial statements, including flexibility in reporting for the former.*
- *Some support for inclusion of certain elements in assurance reports for other types of engagements – this would enable consistency:*
 - *Opinion / conclusion first,*
 - *Naming the engagement partner,*
 - *Independence and other ethical responsibilities statement, and*
 - *For review engagements, a separate section under the heading MURGC.*

99. The PIR explored whether there is demand for making revisions to assurance reports for other engagements to include elements similar to those in the auditor’s report on an audit of financial statements (e.g., in relation to review engagements, including a review of interim financial information, and other assurance engagements (e.g., assurance on greenhouse gas statements or ISAE 3000 (Revised)⁴¹ assurance engagements)). Areas of interest included the structure of the report (e.g., opinion/conclusion first), and the communication of key matters that would, in the context of those engagements, be similar to KAM.

Communicating KAM in Assurance Reports for Other Engagements

100. The ARIWG noted the various concerns expressed by stakeholders relating to communicating KAM in reports for other assurance engagements, including those related to the cost-benefit aspects of the disclosure. Stakeholders also commented on the need to distinguish reports on other assurance engagements from an auditor’s report on an audit of financial statements (i.e., not to inadvertently create a perception that they provide a greater level of assurance than is appropriate when the engagement is a limited assurance engagement and to provide some flexibility to tailor these reports for a particular purpose).

³⁹ For further information refer to the project pages for [Going Concern](#), [Fraud](#), and [PIE](#) on the IAASB website.

⁴⁰ See paragraphs 93-97 of [Agenda Item 3](#), presented to the IAASB at its February 2021 mid-quarter meeting and Section VIII of the PIR [Feedback Statement](#).

⁴¹ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

101. **Given these concerns, the ARIWG is of the view that no further action is needed at this time in relation to communicating KAM for other assurance reports.**

Inclusion of Certain Elements in Assurance Reports for Other Engagements

102. The ARIWG notes that there was some demand from stakeholders for considering changes to assurance reports for other engagements to align with the auditor's report on an audit of financial statements especially for those elements that relate to the structure of the report (e.g., reordering the opinion/conclusion first). Overall, however, this support was not widespread and there were mixed views across stakeholder constituencies.⁴²
103. The ARIWG discussed respondents' comments and support for the inclusion of a separate section under the heading MURGC for reports issued in connection with review engagements. With respect to reviews of interim financial information, this was seen by respondents as contributing toward greater consistency with the auditor's report and enabling users to identify going concern matters with ease and clarity. The ARIWG is of the view that there is value in exploring further how to enhance the consistency between interim review and full year reports, especially for listed entities.
104. **The ARIWG recommends that an appropriate way forward is to explore the demand for closer alignment of certain elements of assurance reports for other engagements with the auditor's report of an audit of financial statements when the relevant standards are considered for revision in the future.** A revision of ISRE 2410 is already contemplated (see consultation on IAASB Work Plan 2022–2023⁴³), as this standard is still in a pre-clarity format (i.e., contains basic principles and essential procedures identified in bold type lettering and by the word "should") and owing to challenges that became apparent in the COVID-19 environment and as highlighted in the stakeholder survey. Given that ISRE 2410 is more closely related to the ISAs, relative to ISRE 2400 (Revised)⁴⁴ and the other assurance standards, the ARIWG considers that exploring the further demand for aligning with the auditor's report can be effectively undertaken when ISRE 2410 is revised in the future.
105. The ARIWG also discussed the inconsistency between how a MURGC in a report on the review of interim financial information of a listed entity is reported using an EOM paragraph (under the requirements of ISRE 2410) versus the year end auditor's report, in which the material uncertainty is included in a separate section of the auditor's report under the heading MURGC. **Until ISRE 2410 is opened up for revisions, the ARIWG recommends that guidance be developed to provide clarity on this matter and believes this could effectively be achieved through updating the AR FAQs.**

Update the AR FAQs:

- ▶ To provide clarity about reporting a MURGC for year-end auditor's reports versus an EOM paragraph in an interim review report.

⁴² While investors expressed a higher preference, regulators had a lower preference relative to the other stakeholder constituencies and commented that these engagements often fall out of the scope of their regulatory inspections and where therefore not able to provide a particular view.

⁴³ Refer to [Agenda Item 4](#) of the September 2021 IAASB meeting for feedback relating to the Work Plan consultation.

⁴⁴ ISRE 2400, *Engagements to Review Historical Financial Statements*

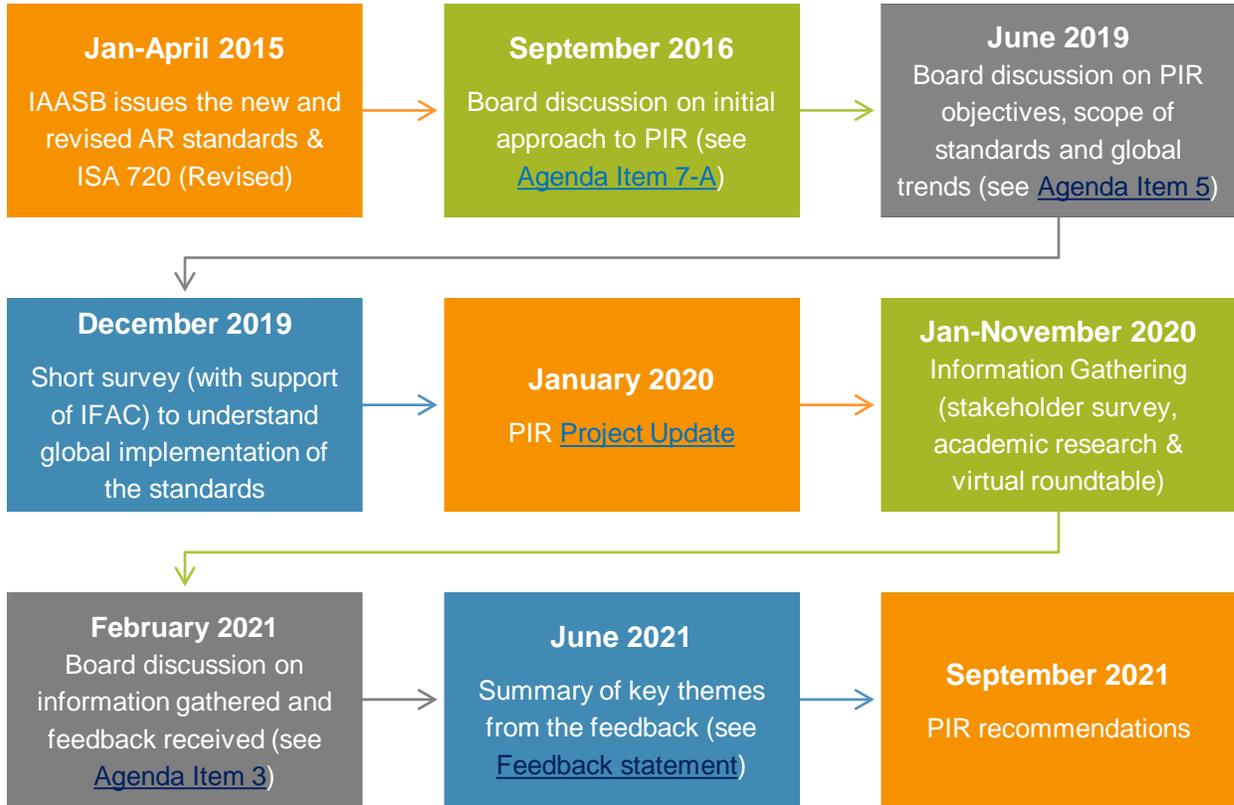
X. Way Forward

106. The ARIWG has completed the PIR. For purposes of completing its mandate, the ARIWG proposes to focus on the following actions as encapsulated in the recommendations presented in this paper:
- (a) Continue to provide support and input to the Going Concern, Fraud and PIE Working Groups as they progress their work on these respective topics, which may include specific aspects of enhanced transparency through the auditor's report (see **Sections I, V and VIII**).
 - (b) Update the AR FAQs for identified matters relating to KAM, other information and addressing going concern for interim financial information versus in the full year financial statements (see **Sections IV, VI and IX**, respectively). In addition, some other matters may also be readily addressed while the AR FAQs are being updated based on the PIR feedback.
 - (c) Coordinate the development of a Staff publication to provide guidance for those circumstances where the auditor's report is signed by an individual other than the EP (see **Section VII**).
107. Future work plan decisions will be made as contemplated in the IAASB's Framework for Activities and following applicable due process (i.e., as it relates to the development, consultation and approval of the IAASB's strategy and work plans). For Auditor Reporting, the following may be considered when making future work plan decisions:
- (a) The PIR has provided evidence that standard-setting may be warranted for the following IAASB standards when these are revised in the future (e.g., as part of a project for the broader revision of a standard(s) or a project to undertake narrow scope maintenance of a standard(s), as may be appropriate):
 - ISA 720 (Revised) (see **Section VI**);
 - ISRE 2410 (see **Section IX**); and
 - Other assurance standards, including those in the ISRE series (i.e., ISRE 2400) and in the ISAE-series (i.e., ISAE 3000 (Revised) or other subject-matter specific standards in this series) (see **Section IX**).
 - (b) The results of the PIR and related recommendations around KAM (see **Section IV**), other elements of the auditor's report (see **Section VII**), and additional information in the auditor's report beyond what is currently required (see **Section VIII**) have highlighted a number of matters that have not at this stage risen to a level where standard-setting is recommended. However, as practice evolves, implementation experiences and information-gathering across jurisdictions accumulates and the global relevance of matters becomes more apparent, these matters / topics may gain prominence and could progress through the IAASB's Framework for Activities.

The matters / topics highlighted in (a)–(b) above will go into Category A of Component I of the Framework for Activities and will continue to be monitored in that context, and advanced as may be appropriate.

Timeline of the PIR

The following graph sets out the timeline of IAASB's activities in relation to the PIR since the issuance of the new and revised Auditor Reporting Standards and ISA 720 (Revised):



Appendix 2

Approved Minutes from February 2021 IAASB Mid-Quarter Meeting – Auditor Reporting Post-Implementation Review (PIR)

Mr. Montgomery provided an overview of the feedback received to date on the stakeholder survey and other information-gathering activities related to the Auditor Reporting PIR as set out in **Agenda Item 3**.

SUMMARY OF FEEDBACK RECEIVED

The Board acknowledged the feedback gathered through the information-gathering activities of the Auditor Reporting PIR, noting the substantial number of responses received to the stakeholder survey from a broad range of stakeholders, including from all geographical regions and stakeholder groups.

The Board broadly supported the matters highlighted that warrant further analysis and consideration by the Auditor Reporting Implementation Working Group (ARIWG) as it progresses its work to develop PIR recommendations. The Board agreed that, based on the feedback received, the overall objective set out by the IAASB when developing the new and revised Auditor Reporting standards⁴⁵ had been achieved, as the feedback indicated that the auditor's report has become more informative and relevant by providing greater transparency into the audit work performed.

With respect to the feedback received and matters highlighted by respondents, the Board noted the following:

- Careful consideration is needed going forward as to what further information (if any) should be included in the auditor's report, as the right balance needs to be maintained with respect to the expectations of all stakeholders, as well as the associated costs and benefits of including that information.
- International convergence of the auditor reporting regimes would be in the public interest and enhance consistency, as presently entities report different matters for the same audit in various capital markets.
- With respect to key audit matters (KAM), caution is needed with respect to mandating descriptions of the outcome of audit procedures or key observations, as this could be perceived as providing separate opinions on certain matters within the financial statements. In addition, it was noted that KAM that are well written, consistent over time and specific to the entity would not be perceived as being boilerplate.
- Further exploration and analysis of the feedback received would be helpful to more specifically understand the root cause of the issues raised by respondents with respect to the 'Material Uncertainty Related to Going Concern' section of the auditor's report. The ARIWG was encouraged to continue closely coordinating with the Going Concern Working Group.

⁴⁵ The new and revised Auditor Reporting Standards comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and conforming amendments to other ISAs.

- With respect to the ‘Other Information’ section of the auditor’s report, the ARIWG was encouraged to further understand the root causes of the issues raised by respondents and analyze the differences in practice.

WAY FORWARD

The Board broadly supported the proposed way forward outlined by the ARIWG to develop the recommendations coming out of the input from the PIR and the issuance of the Feedback Statement.

The Board also encouraged the ARIWG to:

- Highlight the available non-authoritative guidance issued by the Board with respect to Auditor Reporting while developing and issuing the Feedback Statement.
- Reach out to National Standard Setters with respect to work undertaken in their jurisdictions with regard to post-implementation reviews of the revised Auditor Reporting Standards.

IAASB CAG CHAIR REMARKS

Mr. Dalkin thanked the Board and was pleased to hear that the time invested by the Board in revising the Auditor Reporting Standards has proved to be beneficial and in the public interest. Mr. Dalkin encouraged the Board to consider similar post-implementation reviews for other recently issued IAASB standards.

PIOB OBSERVER’S REMARKS

Ms. Stothers supported the efforts that had been undertaken in the PIR. Ms. Stothers acknowledged the stakeholders’ differing points of view in the PIR and encouraged further understanding, and consideration where necessary, of all the issues before any actions are proposed. She also emphasized the importance of this work in the public interest and welcomed the linkages noted with the Going Concern project.

ARIWG Members and Activities

ARIWG Members

1. The ARIWG consists of the following members:
 - Dan Montgomery, Chair
 - Chun Wee Chiew
 - Sachiko Kai
 - Jamie Shannon
 - Sylvia van Dyk
2. Information about the project can be found [here](#).

ARIWG Activities

3. The ARIWG held 4 virtual meetings since February 2021.

Coordination with Other Workstreams

4. The ARIWG/Going Concern Working Group Chairs and IAASB staff met in March 2021, to discuss a plan for coordination of activities between the two workstreams.
5. Staff of the ARIWG and the Fraud Working Groups met to further discuss their possible actions with respect to respondents' feedback about enhanced transparency in the auditor's report in relation to fraud.
6. Dan Montgomery and Chun Wee Chiew are members of the IAASB PIE Working Group and Chun Wee Chiew is a correspondent member of the IESBA PIE TF and attends all IESBA PIE TF meetings (relevant IAASB staff also participate in both workstreams).