

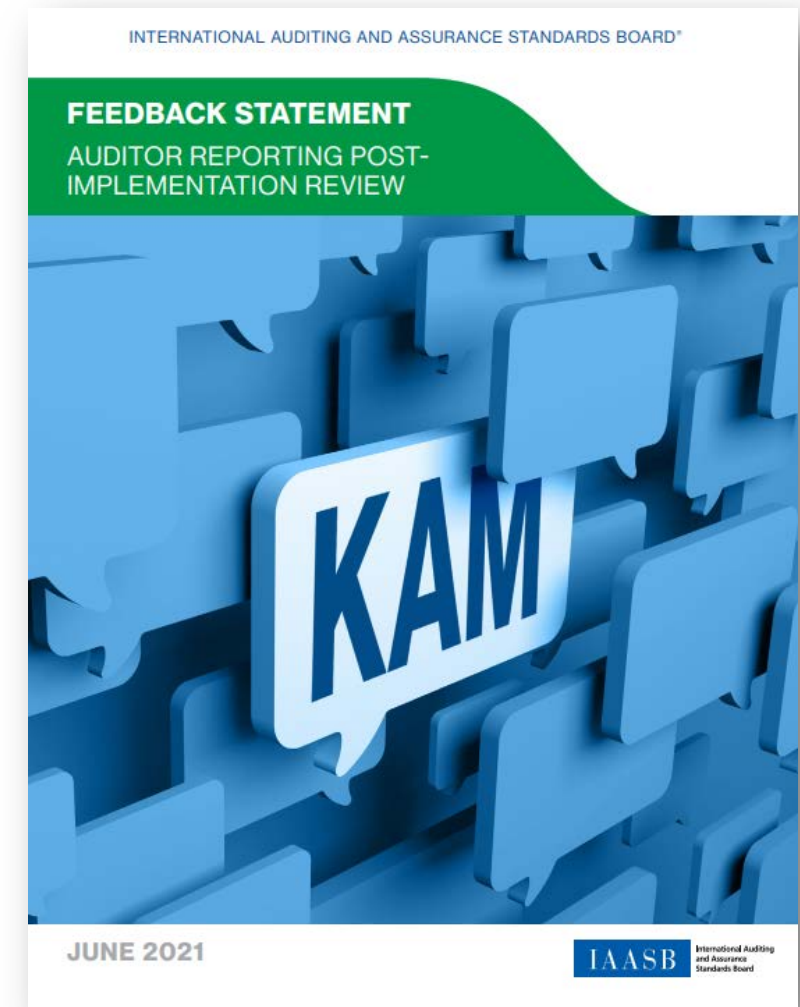
Auditor Reporting Post-Implementation Review: Recommendations

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Working Group Chair

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Key Findings

- Broad support for the enhancements made
- Practical challenges for some areas
- More time and information required to understand demand for:
 - Additional information to improve transparency
 - Extending requirements that apply for listed entities
- Support for informative reporting and engagement by all stakeholders



Approach to Recommendations

- Further assessment of the feedback in support of PIR objectives
- IAASB's Framework for Activities
- IAASB's revised workplan for 2020-2021
- Broad reflections from the feedback:
 - Need for more implementation experiences to arrive at appropriate conclusions
 - Targeted improvements to standards instead of lengthy projects
 - Consideration of IAASB's open projects and the capacity of stakeholders to implement more changes quickly



Recommendation Summary

Linking the Recommendations to Themes

PIR Theme	PIR Recommendations			
	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)

KAM for PIEs

- Further exploration required:
 - Support for KAM for PIEs, with preference for this to be addressed by local jurisdictions
 - Cost-benefit considerations for the various categories of PIEs
- PIE Working Group:
 - Further explore this matter through proposed case-by-case approach



Going Concern

- Coordination with the Going Concern Working Group for areas where further clarity may be needed:
 - Differences between KAM, MURGC, EOM and OM paragraphs
 - Communication about going concern in 'close call' situations
- Explore education and guidance
 - Coordination with the Going Concern workstream



Enhanced Transparency in the Auditor's Report

- Engage with Going Concern, Fraud, and PIE workstreams as they explore increased transparency in the auditor's report
- More time and information needed for:
 - Materiality
 - Scope of the audit
 - Outcomes of the audit procedures with respect to KAM
 - Other aspects of the audit
- Engage with others to:
 - Explore the global demand
 - Support consistency in auditor reporting globally



Matters for IAASB Consideration

The Board is asked for its views on the ARIWG recommendations in relation to the PIR

Recommendation #1: KAM

- Develop non-authoritative support material
- Explore communication of KAM for PIEs

Recommendation #2: Going Concern

- Support and input to the GC WG as it explores further actions

Recommendation #5: Info Beyond Req.

- Continue monitoring global developments to fully understand demand for additional information in the AR

Other Information (OI)

- Overall useful but not for some (e.g., investors)
- Challenges:
 - Length, complexity, and understandability
 - Clarity about whether the auditor's opinion extends to the OI
 - Placement of the OI section
 - Challenges with the scope of OI
 - Challenges when OI is not available at the date of the auditor's report
- Engage with NSS & others – explore education and leverage guidance
- Update AR FAQs – targeted matters



Matters for IAASB Consideration

The Board is asked for its views on the ARIWG recommendations in relation to the PIR

Recommendation #3: Other Information

- Development additional guidance and leverage NSS where possible
- Consider targeted revisions as part of IAASB's future work plan

When an Individual Other than EP Signs the AR

- Signing Partner (SP) Survey – Findings:
 - Consistent with previous IAASB feedback
 - Wide variety of circumstances in practice
 - Law and regulation may contain further requirements – e.g., who should sign the auditor's report or SP expected involvement
 - In most cases the SP needs to undertake certain actions before auditor's report is signed
- ARIWG recommendation:
 - Non-authoritative support material – Staff Publication



Matters for IAASB Consideration

The Board is asked for its views on the ARIWG recommendations in relation to the PIR

Recommendation #4: Other Elements

- Develop non-authoritative support material for when an individual other than the EP signs the auditor's report

Aligning Assurance Reports for Other Engagements

- Value to explore further for certain elements to enhance consistency:
 - Opinion / conclusion first,
 - Naming the EP,
 - Independence and other ethical responsibilities statement, and
 - For review engagements, a separate section under the heading MURGC
- Consider this further when standards opened for revision
 - ISRE 2410
- Update of AR FAQs to provide clarity for MURGC in year-end reports versus EOM in interim review reports



Update the AR FAQs

- Update the AR FAQs developed in 2016:
 - For those areas where some of the practical challenges were experienced
 - To provide a targeted, timely and effective response



Matters for IAASB Consideration

The Board is asked for its views on the ARIWG recommendations in relation to the PIR

Recommendation #6: Explore demand for aligning other assurance reports to the AR (when related standards are revised)

Recommendation #7: Update the AR FAQs to address practical challenges

Recommendation #8: Provide support and input to IAASB Working Groups

Recommendation #9: Continue engaging with stakeholders and monitoring global developments and implementation experiences

Way Forward

The Board is asked whether it concurs that the PIR is completed, and with the way forward as presented in Section X

Way Forward

- Continue to provide support and input to other groups
- Update the AR FAQs
- Coordinate the development of a Staff publication in circumstances where the auditor's report is signed by an individual other than the EP

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