

Auditor Reporting Post-Implementation Review (PIR)—Feedback and Issues

Objective of the Agenda Item:

The objective of this Agenda Item is to:

- (a) Provide an overview of the feedback received to date from the stakeholder survey and other information-gathering activities related to the Auditor Reporting PIR; and
- (b) Obtain Board views about the proposed direction for the way forward that will enable the Auditor Reporting Implementation Working Group (ARIWG) to develop recommendations for Board consideration in Q4 2021.

Matters for IAASB consideration:

During the February 2021 IAASB meeting, the ARIWG Chair will pause after each group of sections, as follows, to receive the Board's feedback on Questions 1 and 2: Section IV; Sections V and VI; Section VII; and Sections VIII and IX. Finally, the Board will be asked to respond to Question 3 (Section X).

The Board is asked for its views on:

1. The summary of the feedback from the PIR Stakeholder Survey and other information gathering activities, and the matters that warrant further analysis or consideration by the Working Group as it progresses its work to develop PIR recommendations.
2. Whether there are any other matters that the Working Group should consider.
3. The way forward as outlined in **Section X** of this Agenda Item.

I. Introduction and Approach to this Paper

1. In January 2015, the IAASB issued the [new and revised Auditor Reporting Standards](#)¹ that aimed to enhance the communicative value and relevance of the auditor's report and in April 2015 issued a revised standard addressing the auditor's responsibilities related to other information ([ISA 720 \(Revised\)](#)).² 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, 2016.³
2. Given the significance of these new and revised standards and the importance of improving communication between auditors and users of auditor's reports, the IAASB formed the ARIWG to provide ongoing support on this topic. To date, the ARIWG has undertaken various activities to raise awareness about the auditor reporting standards and support adoption and implementation of these standards. In addition to these activities, the ARIWG is also responsible for activities relating to the Auditor Reporting

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 Some jurisdictions may have adopted the standards with a different effective date.

PIR agreed to be undertaken by the IAASB.

3. The ARIWG discussed a possible approach to the PIR with the IAASB at its September 2016 meeting (see [Agenda Item 7-A](#)). In June 2019, the ARIWG presented a more detailed outline of the PIR. In particular, [Agenda Item 5](#) of the June 2019 meeting provided a revised objective of the PIR, clarified the standards to be addressed by the PIR, and outlined a proposed approach to the PIR. The Board agreed with the revised objective and the standards to be addressed, and recommended that the ARIWG establish a plan of activities, including a timetable, in relation to the PIR.
4. In January 2020, the ARIWG outlined a plan of activities, including a timeframe for the PIR, a summary of which was published in the [Auditor Reporting PIR Project Update](#).
5. This paper sets out:
 - Further details with respect to the information-gathering activities undertaken to date by the ARIWG (see **Section II**);
 - Overview and summaries of stakeholder feedback to the Auditor Reporting PIR stakeholder survey, by significant themes (see **Sections III-IX**); and

Theme	Section
Support for the Auditor Reporting Standards	III
Key Audit Matters	IV
Going Concern	V
Other Elements of the Revisions to the Auditor Reporting Standards	VI
'Other Information' Section of the Auditor's Report	VII
Additional Information in the Auditor's Report Beyond What is Required by the Auditor Reporting Standards	VIII
Considering Revising Assurance Reports for Other Engagements to Align with the Auditor's Report on an Audit of Financial Statements	IX

- Way forward (see **Section X**).
6. In addition, the following two appendices are provided:
 - **Appendix 1** sets out a list of jurisdictions that responded to the Auditor Reporting PIR stakeholder survey.
 - **Appendix 2** provides an overview of responses to the supplemental question included in the stakeholder survey regarding the effects of the COVID-19 pandemic in relation to individual aspects of auditor reporting.
 7. As this is the first time the Board will discuss the information-gathering activities related to the Auditor Reporting PIR, the following materials are provided as background and supplemental information (these are for reference purposes and will not be discussed):⁴
 - **Supplement A** sets out the scope and key findings from the academic and other literature review undertaken by the ARIWG.

⁴ Relevant feedback and findings from the academic and other literature review and the virtual roundtable have been provided at a higher level for the key themes identified, indicating where such information corroborates the findings from the stakeholder survey, or when there are any additional or contradictory findings (Supplements A and B provide a complete summary of the academic and other literature review findings and feedback from the virtual roundtable).

- **Supplement B** provides a summary of participant feedback from the IAASB Facilitated Virtual Roundtable session relating to Auditor Reporting.

II. Overview of the Auditor Reporting PIR Information-Gathering Activities

8. To date, the ARIWG undertook the following information-gathering and research activities to inform the Auditor Reporting PIR:
 - Developed and issued an Auditor Reporting PIR stakeholder survey.
 - Performed a review of relevant academic research and other literature.
 - Carried out outreach through a virtual roundtable with various stakeholder groups.
 - Performed other supporting information-gathering activities.

Auditor Reporting PIR Stakeholder Survey

9. The Auditor Reporting PIR stakeholder survey was launched on July 27, 2020 and closed on November 23, 2020. 147 online responses were received from a broad range of stakeholders across 48 jurisdictions. In addition to the online responses, one written response was received from a Professional Accountancy Organization (PAO). **Appendix 1** provides a list of jurisdictions that responded to the Auditor Reporting PIR stakeholder survey.

Stakeholder Type	No.
Investors and Other Users of Financial Statements	13
Regulators and Audit Oversight Bodies	9
Preparers and Those Charged With Governance	20
National Standard Setters	12
Professional Accountancy Organizations	13
Practitioners, Auditors and Audit Firms	80
Online Responses	147
Written Response from PAO	1
Total Responses	148⁶

Region ⁵	No.
Global	18
Africa	35
Asia Pacific	41
Europe	27
North America	7
South America	11
Multiple	8
Total	148

10. In some cases, stakeholders undertook further outreach in their jurisdictions to inform their responses to the IAASB online survey, including targeted meetings and engaging with auditor reports user groups, undertaking member surveys, gathering inputs from network firms, and other forms of outreach.
11. The Auditor Reporting PIR stakeholder survey included a series of questions to gather input on various matters regarding the new and revised Auditor Reporting Standards and ISA 720 (Revised),

⁵ It is noted that there are certain regional concentrations of responses, for example, for the Africa region 28 of the total responses are from South Africa, and all responses from the North America region are from Canada. Staff followed this up during the analysis of responses and are satisfied that such regional concentrations do not significantly distort the themes and key takeaways across stakeholder groups as presented in this paper.

⁶ The ARIWG plans to undertake an exercise to determine whether there may be any respondents who the IAASB would normally expect to provide feedback (based on past experience in relation to IAASB public consultations) and who did not respond to the Auditor Reporting PIR stakeholder survey, and the reasons for this.

including conditional questions targeted for various stakeholder groups (i.e., respondents to the survey were prompted to provide their response only on the questions applicable to the stakeholder group they represent).⁷

12. The stakeholder survey also sought the views of respondents about the reporting aspects of the IAASB's Other Standards for which assurance reports are issued, (i.e., for the International Standards on Review Engagements (ISREs) and the International Standards on Assurance Engagements (ISAEs). In particular, the ARIWG gathered input on whether reports issued in accordance with these standards should contain similar elements as an auditor's report on an audit of financial statements.
13. The stakeholder survey also included a supplemental question regarding the effects of the COVID-19 pandemic in relation to individual aspects of auditor reporting. **Appendix 2** provides further information on the challenges or specific effects on certain elements of the auditor's report indicated by respondents.
14. While developing the stakeholder survey, the ARIWG appreciated that different jurisdictions may be at different stages of adoption and implementation of the Auditor Reporting Standards, including that the effective dates of equivalent national standards may differ from those of the respective ISAs. For this purpose, apart from experiences with the implementation and application of the Auditor Reporting Standards and with auditor's reports on financial statements, stakeholders' perspectives and views may also be informed by, for example, early adoption activities, information gathering, or field testing undertaken in preparing for implementation, research and outreach activities, and pilot testing in their respective jurisdictions. Certain stakeholders also may have experience across multiple jurisdictions. The survey questions allowed flexibility in terms of the options that were presented in relation to relevant questions so that respondents could appropriately respond to a topic based on their circumstances and experience.

Academic Research and Other Literature Review

15. The academic research and other literature review included detailed analysis of 36 research papers or other reports, including identifying key takeaways relevant to the PIR. While considering the scope of available research, the ARIWG considered academic research undertaken, as well as research or thematic reviews on Key Audit Matters (KAM) for first-year or year-to-year implementation of the new and revised Auditor Reporting Standards published by audit firms, National Standard Setters, Professional Accountancy Organizations, and Regulators and Oversight Bodies across all jurisdictions. **Supplement A** to this Agenda Item sets out further details with respect to the academic and other literature review undertaken and includes a register of the 36 papers and reports considered for the purposes of the Auditor Reporting PIR.

⁷ The stakeholder survey comprised the following parts, targeting different stakeholder groups: Part A—Demographic Information (all stakeholders), Part B— Investors and Other Users of Financial Statements (referred to as "investors"), Part C—Regulators and Oversight Bodies ("regulators"), Part D—Preparers and Those Charged with Governance ("preparers and TCWG"), Part E—National Standard Setters and Professional Accountancy Organizations ("NSS and PAOs"), and Part F—Practitioners, Auditors and Audit Firms ("auditors"). The analysis presented in the tables of Sections III-IX to this paper follow the stakeholder survey format whereby responses from National Standard Setters and Professional Accountancy Organizations ("NSS and PAOs") are grouped together. A PDF of the Auditor Reporting PIR stakeholder survey, including background to the PIR and all parts and questions of the survey can be downloaded [here](#).

Researcher / Review Type	No.
Academics	15
Audit Firms	4
National Standard Setters and PAOs	11
Regulators and Audit Oversight Bodies	6
Total	36

Region	No.
Africa	2
Asia Pacific	11
Europe	17
North America	2
South America	1
Multiple	3
Total	36

16. The compilation of the initial list⁸ of research was outsourced to a team of researchers from the University of Dayton, School of Business Administration and Department of Accounting, who searched published studies that either in their abstract, or in their title available on electronic databases accessed via the internet, included key words on a range of issues around the implementation of the new and revised Auditor Reporting Standards and ISA 720 (Revised). To this initial list of research, several other identified published studies and literature were added based on inputs provided by ARIWG members and other stakeholders.
17. The majority of relevant studies and research (i.e., 28 of the 36) were published or undertaken between 2018 and 2020, and no studies of relevance were identified prior to 2015. In addition, the majority of the research papers had a significant focus on communication of KAM. Some research papers focused on extended auditor reporting as applicable in jurisdictions that have adopted the revised standards with certain regulatory modifications, for example in the United Kingdom,⁹ France,¹⁰ and USA.¹¹ Some papers or reports also addressed findings related to the voluntary or required reporting about certain aspects, such as the outcomes of audit procedures when communicating KAM, other information, going concern, materiality, and the scope of the audit.
18. The research approaches of many of the academic studies and articles were based on quantitative methods of research, making use of published financial statement data from annual reports and databases, and by applying statistical methods of analysis aimed to detect relationships and trends. There were a few academic studies that applied experimental methods to explore the cause-effect while testing the research hypothesis. Reports published by Regulators and Oversight Bodies, and National Standard Setters and Professional Accountancy Organizations predominately included

⁸ Initially 52 research papers were identified that were further analyzed in terms of their relevance to the PIR as well as to the standards subject to the PIR. From this initial list of identified research papers, 16 studies were scoped out because they were not relevant to the Auditor Reporting PIR (either because the research predated the revisions to the auditor reporting standards that became effective in 2016 or they considered topics and standards that were out of the scope for the Auditor Reporting PIR).

⁹ In the United Kingdom, the auditor reporting regime of the Financial Reporting Council (FRC) introduced incremental requirements to those of the IAASB standards. For example, auditors are required to include in the auditor's report a discussion about materiality and the scope of the audit.

¹⁰ The French auditing standards and regulations require disclosure of Justifications of Assessment (JOA), which are similar to the requirements for communication of KAM.

¹¹ In the USA, there are some technical distinctions between the IAASB standards and the Public Company Accounting Oversight Board (PCAOB) rules, including unique language to define and identify the Critical Audit Matters (CAM) and to specify that CAMs relate to a component of an account or disclosure that is material to the financial statements. In addition, PCAOB rules have an additional requirement to disclose the auditor's tenure in the auditor's report.

research of first-year and year-to-year implementation of the new and revised Auditor Reporting Standards in specific jurisdictions or across multiple jurisdictions. Other methods of research and information gathering included literature reviews, surveys and focus group discussions.

Virtual Roundtable

19. On September 28, 2020, the IAASB facilitated a global virtual roundtable discussion¹² and gathered feedback from stakeholders on various matters related to the implementation of the IAASB's revised Auditor Reporting Standards.
20. To facilitate these discussions, stakeholders with a global representation and strong background in the topics covered were invited to support robust and informative discussions, including participants representing investors, analysts, those charged with governance, audit firms, regulators, the public sector, and others.
21. **Supplement B** provides a summary of the feedback from participants relevant to Auditor Reporting, including a list of roundtable participants.

Other Information-Gathering Activities

22. The ARIWG performed a desk-top analysis to identify global trends, including the status of adoption of the new and revised Auditor Reporting Standards, to identify early adopters and analyze examples of jurisdictions that were extending the reporting responsibilities beyond the requirements in the ISAs.¹³
23. With the support of the International Federation of Accountants (IFAC), the ARIWG obtained information (using a short survey) to understand the global implementation of the Auditor Reporting Standards and ISA 720 (Revised) across global jurisdictions. Responses were received from 83 jurisdictions¹⁴ and the survey results indicated that the majority of these jurisdictions have already implemented the Auditor Reporting Standards and ISA 720 (Revised) or plan to implement them in the next two years.¹⁵

III. Support for the Auditor Reporting Standards

Key Takeaways for this Theme

- *Broad support for the enhancements made coming through from all information-gathering sources (i.e., stakeholder survey, academic research and other literature review and feedback from the virtual roundtable).*
- *Evidence across stakeholder groups that the new and revised Auditor Reporting Standards overall appear to have achieved the intended purpose set by IAASB when developing them (specific*

¹² The IAASB facilitated roundtable discussion held on September 28, 2020 focused on two topics: (i) Exploring the “Expectation Gap” Related to Fraud and Going Concern in Audits of Financial Statements and (ii) Feeding Back on the IAASB’s Auditor Reporting Standards. This paper summarizes the discussions with respect to the Auditor Reporting Standards.

¹³ The ARIWG provided an update to the IAASB about these global trends during its September 2016 and June 2019 meetings.

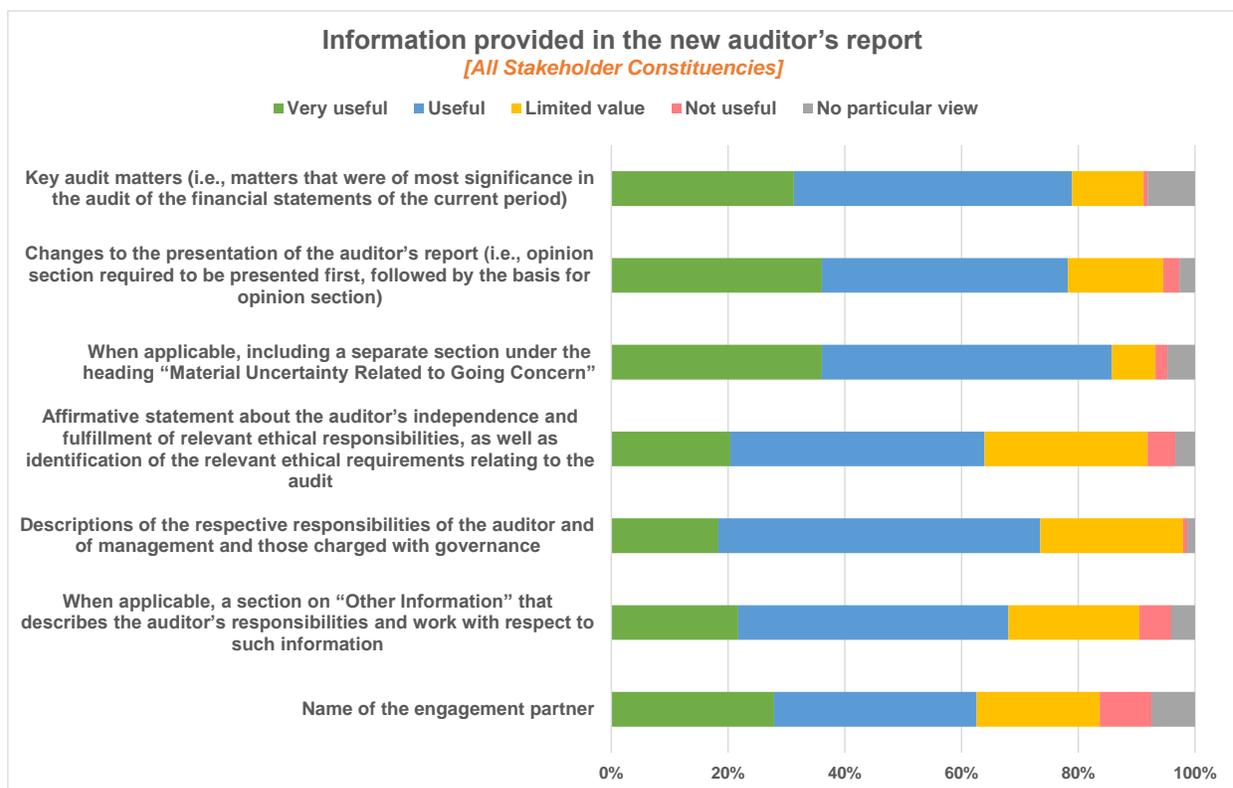
¹⁴ According to the [IFAC 2019 Global Status Report](#), 130 jurisdictions worldwide use or are committed to using the International Standards on Auditing (ISA).

¹⁵ Further information on the survey results is included in the [Auditor Reporting PIR Project Update](#), January 2020.

challenges relating to different elements of the revisions are highlighted in Sections IV to VII of this paper).

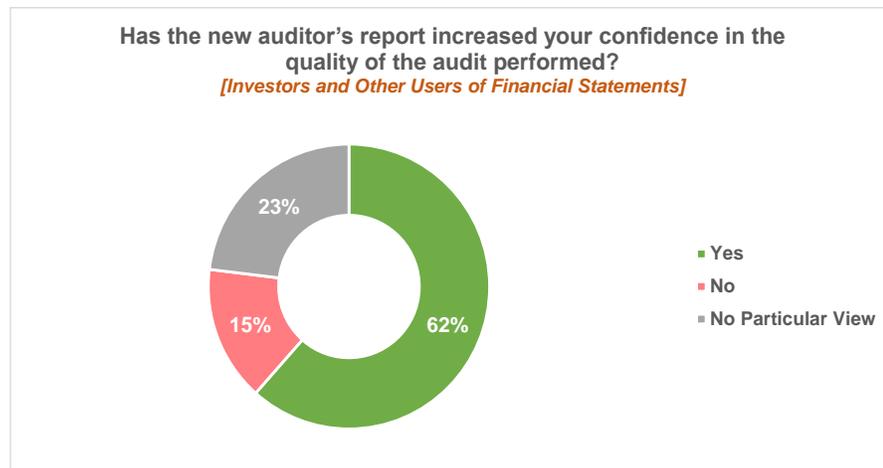
- Broad support for all the new elements of the auditor’s report introduced, with the communication of KAM, placement of the opinion section first, and inclusion of a separate section on ‘Material Uncertainty Related to Going Concern’ seen as the most valuable enhancements.

24. The chart below provides an overview of responses received from all stakeholder constituencies on whether they found the information provided by the enhanced auditor’s report useful, broken down by each of the key elements of the report. Notwithstanding that more than 60% of respondents found all elements to be useful or very useful, the communication of KAM, changes to the presentation of the auditor’s report (i.e. placement of the opinion first) and including a separate section on ‘Material Uncertainty Related to Going Concern’ were considered as the most valuable enhancements made. These points were consistent across all stakeholder groups.¹⁶



¹⁶ Responses from individual stakeholder groups differ in relation to their assessment of the usefulness of the individual elements of the auditor’s report. This is further highlighted in Sections IV to VII of this paper.

25. A majority of investors (85%) indicated that they are aware that the format and contents of the auditor's report has changed, as well as that they refer to KAM. In addition, a majority of investors indicated that the new auditor's report increased their confidence in the quality of the audit performed (see graph).¹⁷



26. The academic and other literature review suggested that investors generally greatly valued the enhanced information provided by the expanded auditor's report. The value added was considered particularly important for those audited entities where there were fewer sources of publicly available information about the entity, including smaller listed companies.

27. The academic and other literature review, also highlighted the following benefits:

- There were significant improvements in financial reporting and audit quality.
- KAM helped the auditor to focus on the areas of the audit requiring the most careful judgment; this in turn contributed to higher audit quality.
- The information value was significantly improved and by that, communication and information gaps narrowed.
- There was a positive effect on promoting transparency.
- The extent of communication by the auditor had improved and this improved the relevance and value of the auditor's reports.
- The auditor's reporting is tailored to the unique circumstances of the various engagements.
- Audit Committee discussions about financial reporting risks with auditors and management are more focused and robust, putting Audit Committees in a stronger position to ensure accountability on behalf of investors.
- More engagement (enhanced interaction) was observed between auditors, management and those charged with governance. This included auditors embracing the opportunity to promote the value and relevance of the audit.
- Investors have gained more insight into the financial reporting risks of the companies they invest in, as well as the audit process.
- Management are making efforts to improve disclosures in the annual report, following discussions about KAM.

¹⁷ Investors were asked to provide their perceptions regarding their confidence in the quality of audits at the level of the overall auditor's report. Other stakeholder constituencies were asked a more granular question about whether the communication of KAM has enhanced the overall quality of audits performed (see Section IV, paragraph 33, below).

- The extended auditor's report is viewed favorably by users as the expanded auditor's report provides enhanced information about significant accounting and audit issues of the company and how they were dealt with in the audit.
28. Participants at the virtual roundtable supported the enhancements made to the Auditor Reporting Standards, indicating that as a result of the changes made, auditor reporting has improved as it presents a broader view of relevant matters relating to the audit that was performed, which has an enhanced information value for users. Roundtable participants also shared some additional perspectives and highlighted some challenges, which are referenced in the sections that follow (**Supplement B** provides a complete summary of the feedback received from participants to the virtual roundtable).
29. At a more overarching level, roundtable participants expressed views that investors are looking for more clarity about the risks the company is facing, including matters such as climate risk, and this could potentially be an area where enhancements to audit/assurance reporting could be considered. However, participants recognized that such a framework is outside of the scope of the audit of historical financial statements and could possibly be covered by other types of assurance reports.
30. Also overarching, respondents to the stakeholder survey highlighted the following broad considerations relevant to the Auditor Reporting PIR:
- Suggestions were made for any further changes to the Auditor Reporting Standards to be minimized as constant changes are challenging for auditors to keep up with and may increase the likelihood of inconsistent implementation.
 - Respondents also, however, commented that improvements to the Auditor Reporting Standards should remain agile allowing for regular improvements to reporting requirements based on the needs of users of financial statements, rather than undertaking lengthy standard setting projects.
 - Given that some jurisdictions have adopted the new Auditor Reporting Standards recently, and their effective dates are yet to come into effect or implementation has just only begun, it may be too early to capture all potential issues that may become apparent only after sufficient time has lapsed following initial implementation. For this reason, respondents encouraged the IAASB to consider a follow up PIR after a few years allowing feedback from a broader range of jurisdictions.
 - Comments were made that further efforts should be made to achieve closer alignment and consistency between the various auditor reporting regimes (e.g., closer alignment between the FRC's auditor reporting regime in the United Kingdom, the PCAOB's in the USA and the IAASB's globally).
 - Respondents commented that all parties need to continue supporting informative auditor reporting, including meaningful engagement by investors and other stakeholders.

IV. Key Audit Matters (KAM)

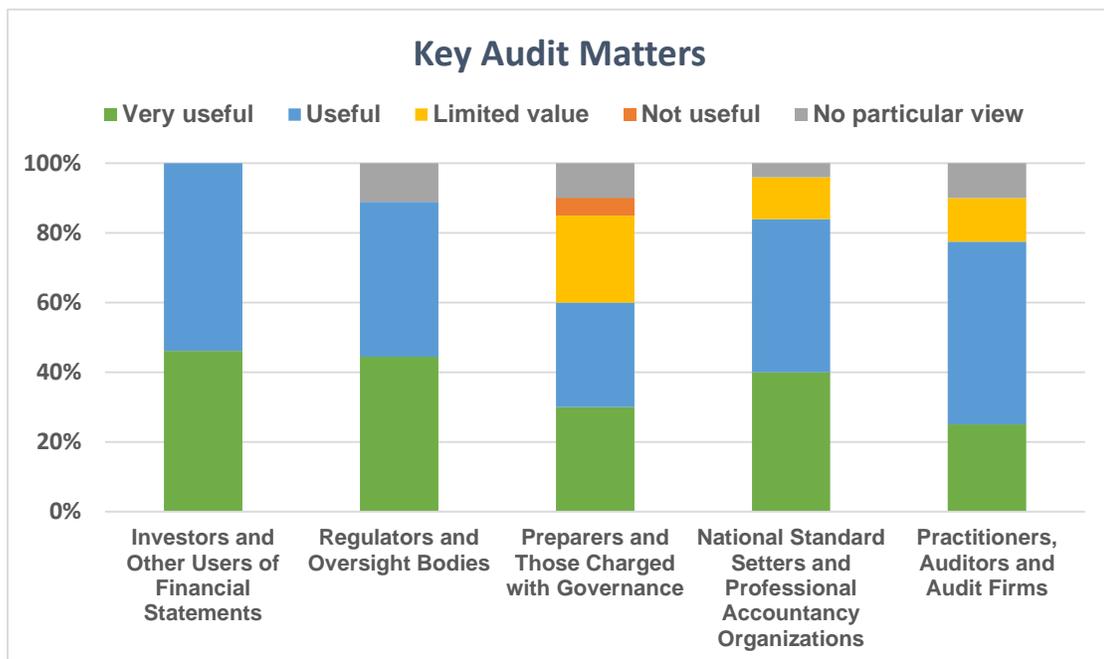
Key Takeaways for this Theme

- *Many benefits noted as a result of KAM, including enhanced and more robust communications between the auditor, management and 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.*

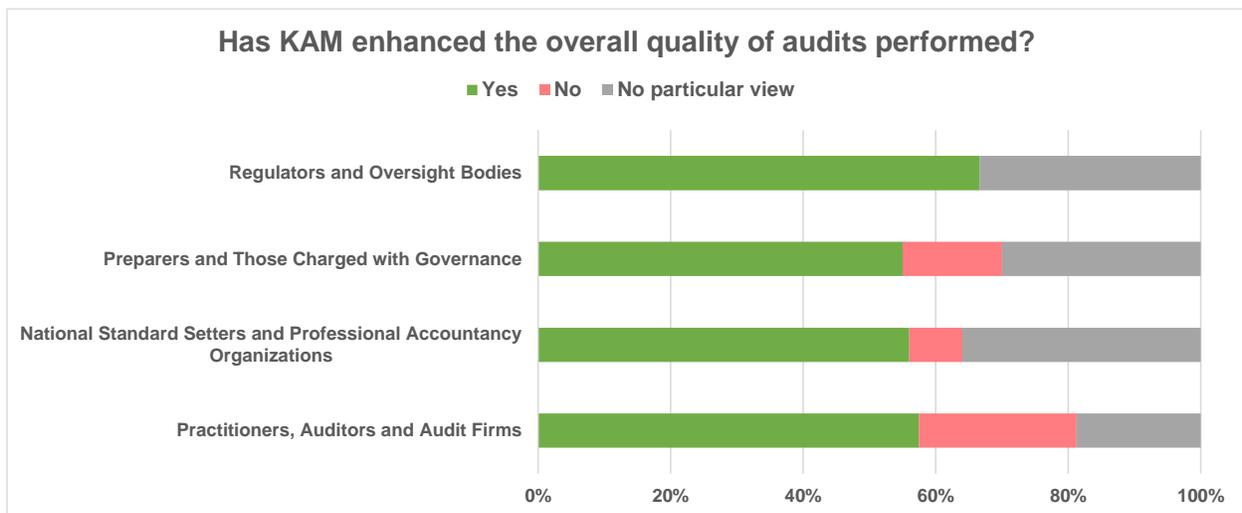
- *Challenges with KAM:*
 - *Describing KAM in an informative, yet succinct manner and avoiding boilerplate descriptions*
 - *Keeping KAM “alive” and evolving year-to-year.*
- *Description of the outcome of the audit procedures or key observations with respect to KAM:*
 - *Descriptions of the outcome or key observations are 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 public interest entities (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

31. The chart below provides an analysis of responses received from all stakeholder constituencies indicating their assessment of the usefulness of communication of KAM. The majority of respondents indicated that KAM were considered useful or very useful, with a notably higher percentage by investors (100%). The lowest percentage (60%) was exhibited by preparers and TCWG.



32. Different stakeholder groups provided the following overarching comments with respect to the usefulness of KAM:
- (a) Investors commented that they found KAM to provide greater transparency about the audit and expressed greater confidence that the auditor is focusing on those areas that are most likely to have a higher risk of material misstatement.
 - (b) Preparers and TCWG indicated that KAM gives important information to management and Audit Committees, and that the communication of KAM is very important for facilitating a better understanding of the financial statements and related disclosures.
 - (c) NSS and PAOs, and auditors found KAM to increase the communicative value of the auditor’s report, and provide additional insights into the audit. These stakeholders noted that this change in the auditor’s report has been very well received and assimilated into the audit process.
33. The chart below provides information on the perceptions of stakeholders about whether the communication of KAM has enhanced **the overall quality of audits** performed.¹⁸



34. Respondents commented that the introduction of KAM in the auditor’s report has not introduced new audit procedures but rather enhanced communication about the audit that was performed, and therefore the effects on user confidence and audit quality are not straightforward to identify. Nevertheless, there are some **notable improvements** including:
- (a) Respondents broadly agreed that the communication of KAM enhanced the communications with management and TCWG about the audit procedures performed and facilitated a better understanding of those audit procedures, which has had a positive effect on perceptions about audit quality.
 - (b) The communication of KAM provided more transparency about the audit work performed for those matters where significant risks are present. This has impacted the audit process favorably by getting auditors to think harder about these areas and tailor the audit strategy and plan accordingly.

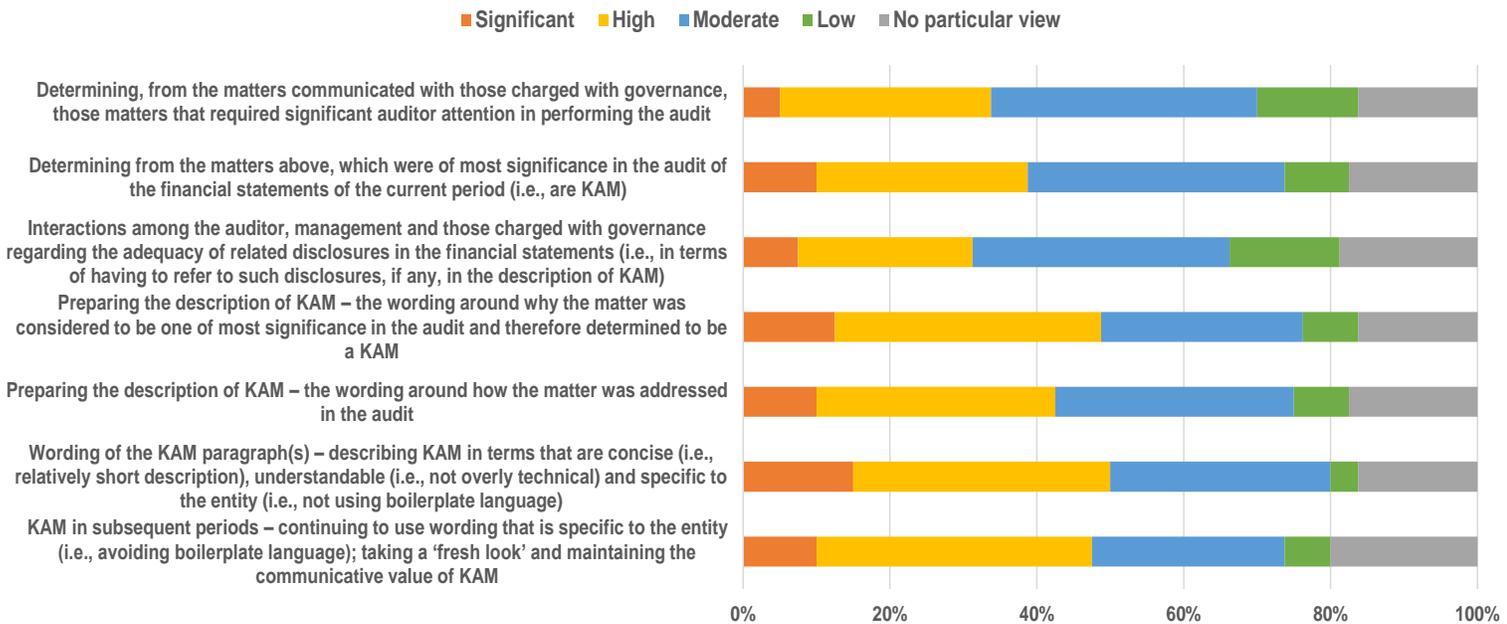
¹⁸ Investors are not included in the chart since they were not asked this more granular question. Perceptions regarding their confidence in the quality of audits were addressed at the level of the auditor’s report overall (see Section III, paragraph 25, above).

- (c) KAM reporting enabled more focus by the auditors on those key matters and a greater involvement by the audit partner and senior engagement resources in the areas being communicated as KAM.
 - (d) Firms had introduced enhanced quality review processes around KAM reporting and significant resources had been invested in training personnel and developing guidance.
 - (e) On certain audits, regulators commented that they have seen an improvement in the quality and extent of documentation in the audit files supporting KAM.
35. With respect to the **benefits** of KAM, respondents provided the following comments:
- (a) KAM reporting promotes transparency about the audit process, and this was perceived by users as an important improvement over historical auditor's reports that included very limited information. Also, respondents either agreed or strongly agreed that the communication of KAM provided greater transparency about the audit that was performed as a whole and not only about KAM.
 - (b) Stakeholders also agreed or strongly agreed that KAM represent matters that have been resolved in the course of the audit and that an individual KAM increases their confidence about the particular matter disclosed in the financial statements.
 - (c) The enhanced communicative value is noted as a significant benefit of KAM reporting. KAM reporting is also perceived to be of increased value in the current COVID-19 reporting environment.
 - (d) KAM reporting stimulated robust discussions between auditors, management and TCWG and enhanced the quality of these conversations. This was especially the case the first few years following implementation.
 - (e) Communications have also become more structured as a result of KAM, and require greater attention and preparation from auditors, management and TCWG.
 - (f) KAM have driven earlier and ongoing dialogue throughout the audit, and especially at year-end, about areas of higher assessed risks, significant risks, and areas of significant judgment and estimation uncertainty.
 - (g) Disclosures in the financial statements have improved for those matters relating to KAM and this has led to better financial reporting.
 - (h) Indirect benefits were associated with KAM reporting, including internal process improvements, such as strengthened internal controls, improved risk management, identification of new risks, and risk mitigation plans.
36. Participants at the virtual roundtable agreed that the communication of KAM is a very useful enhancement and has encouraged further useful conversations and engagement between auditors, management and TCWG. Participants also indicated that KAM has collateral benefits for investors because these matters are being discussed with Audit Committees and TCWG.

Implementation and Other Challenges with KAM

37. The chart below summarizes the responses from auditors indicating the degree to which specific aspects relating to the determination and communication of KAM have given rise to challenges for the audit team.

Challenges – views on specific aspects relating to the determination and communication of KAM
[Practitioners, Auditors and Audit Firms]



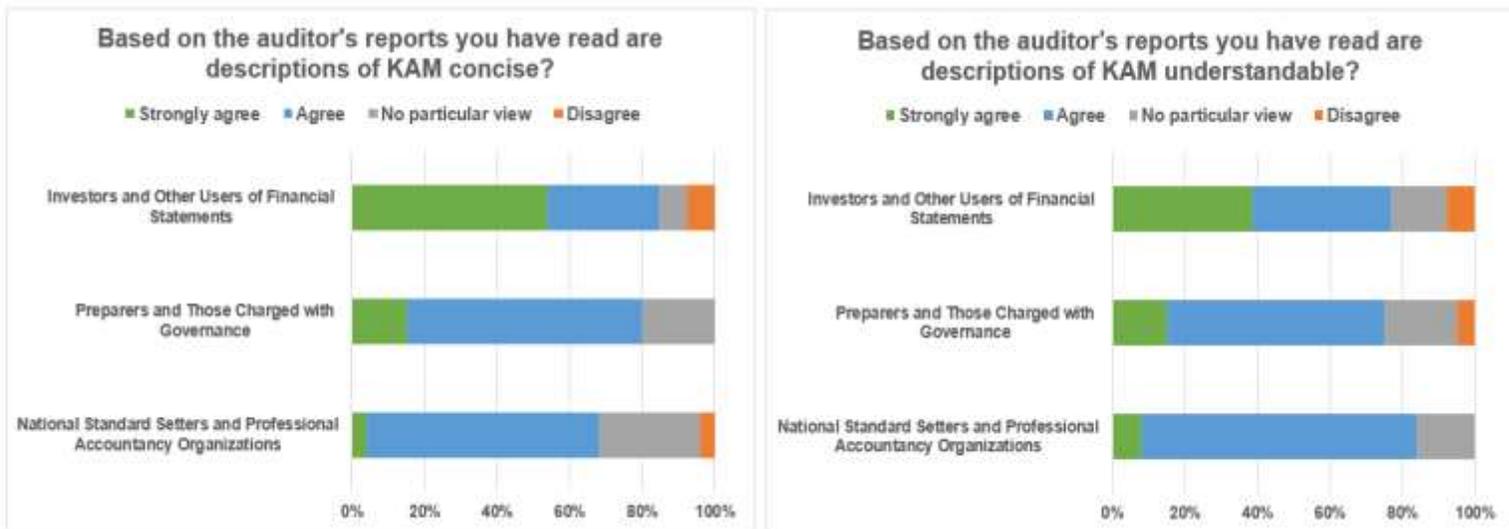
38. Auditors commented that in the first year of implementation significant time and cost was incurred on internal processes related to drafting the KAM section. The time and cost reduced in subsequent years but there was a significant learning curve for auditors, management and TCWG.

39. With respect to the challenges encountered, respondents provided the following specific comments:

- (a) Respondents found the determination of KAM to be a complex and judgmental area. The extent of the challenges encountered often depended on the entity characteristics, and while for some entities identification of KAM was straightforward, for others it was a very challenging process. Respondents commented that this was particularly challenging in the first year of implementation and has decreased since then as auditors received additional guidance and training and have become more familiar with the new requirements.
- (b) While preparing the descriptions of KAM, auditors have struggled to find the appropriate balance between the use of 'plain English' and overly technical language, determining which audit procedures to include or exclude, describing the audit procedure performed at the appropriate level of detail (i.e., maintaining a balance between understandability and the amount of detail provided), and avoiding giving the impression of a piecemeal opinion.
- (c) Challenges with KAM in subsequent periods related to KAM becoming boilerplate (i.e., use of standardized language) and lack of evolution in year-to-year KAM reporting (i.e., 'nothing has changed' approach).
- (d) Other challenges with KAM indicated by respondents included:
 - (i) The time and effort invested in KAM reporting was perceived to be disproportionate in relation to the benefits for audits of certain types of listed entities (e.g., for those listed entities where the risks are largely consistent across entities and over time). In these cases KAM reporting was seen as a costly procedure that had limited value for users.

- (ii) Respondents observed that even though the number of KAM is not mandated in the standard, sometimes it is more complicated to explain why there is not at least one KAM to include in the auditor’s report, especially where reporting of KAM was requested by regulators.

40. Investors, preparers and TCWG, and NSS and PAOs were specifically asked about whether descriptions of KAM are concise and understandable based on the auditors’ reports they have read. Respondents across these groups agreed or strongly agreed, as indicated in the following graphs.



41. The above respondents also provided the following comments:

- (a) Investors indicated that KAM are understandable and provide useful information to the reader. However, there also were views that sometimes the descriptions are not concise or are perceived as boilerplate. These respondents highlighted the importance of KAM to be written from the aspect of the reader, and not the auditor who has insight into the situation, and by using ‘plain English’.
- (b) Preparers and TCWG commented that in general the description of KAM communicated the necessary details about the matter, but noted that in some cases it is difficult to be concise and some KAM still use overly technical language that is not clear to the public.
- (c) NSS and PAOs indicated that some KAM are very technical and that this may impact their understandability. Also, KAM may become routine and boilerplate for entities in the same industries, and for entities that operate in an environment that does not vary significantly year-to-year, and where matters are repeated due to no changes in the underlying risks.

42. The most consistently identified challenge highlighted across the various academic and other research papers related to describing KAM in an informative, yet succinct, manner, and avoiding boilerplate descriptions.

43. Virtual roundtable participants indicated that further improvements in the area of KAM reporting could include avoiding boilerplate language. Participants found most useful those KAM that provide focus on the problem, explain how management and the auditor dealt with the matter (including any major disagreements), and how the matter was resolved.

Differences Between KAM, Material Uncertainty Related to Going Concern, Emphasis of Matter and Other Matter Paragraphs

44. As indicated in the chart, 72% of respondents from the NSS and PAOs, and auditors indicated that the differences between KAM, 'Material Uncertainty Related to Going Concern', Emphasis of Matter and Other Matter paragraphs are clear and understandable.¹⁹

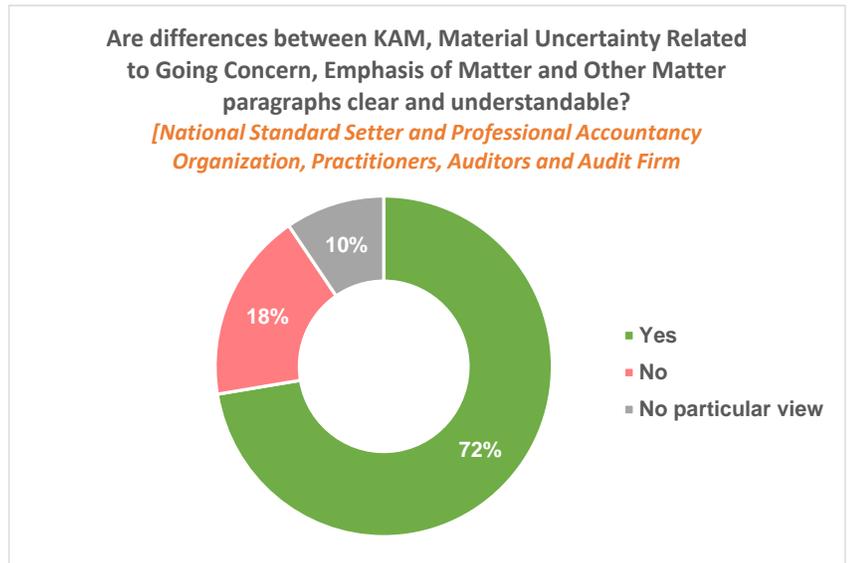
45. Nevertheless, these stakeholders made the following overarching comments in relation to certain concerns or challenges in this regard:

- (a) Concerns were expressed that the purpose of the different paragraphs could be overly complex to be appropriately understood by users, and respondents questioned the need for many different types of paragraphs in order to bring users attention to the matters they contain.
- (b) The number of requirements about which matters can be included in each section and also the cross-referencing between the auditor reporting standards makes them difficult to navigate and complex, which can cause confusion for some auditors who do not often encounter these reporting circumstances / paragraphs.
- (c) The interaction between these sections is perceived to have some overlap and the distinctions between the various paragraphs is not always obvious and straightforward, which causes inconsistencies between auditor's reports.
- (d) Respondents commented that in practice, there is a low usage of Emphasis of Matter paragraphs and a very low usage of Other Matter paragraphs. There were views that users do not necessarily understand the difference between these paragraphs, which may be one of the reasons for their lower usage.
- (e) The uncertainties associated with the current COVID-19 pandemic are expected to 'test' the new auditor's report and there is an expectation that auditor reporting will evolve as a result of these circumstances.

Also refer to **Section V**, Going Concern, that provides further information relating to respondents' comments addressing the distinction between and use of, among others, the KAM and Material Uncertainty Related to Going Concern sections of the auditor's report.

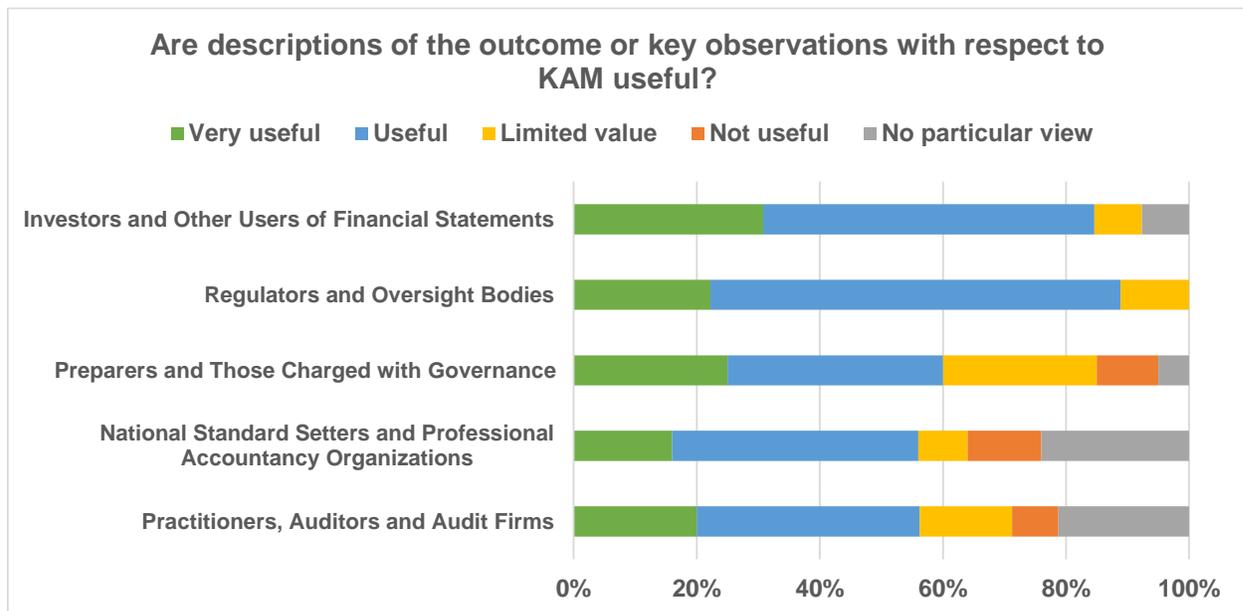
Description of the Outcome of the Audit Procedures or Key Observations with Respect to KAM

46. The chart below provides information on respondent views from all stakeholder constituencies about



¹⁹ This particular question was only included in Parts E and F of the survey, as it was believed that National Standard Setters and Professional Accountancy Organizations (Part E), and Practitioners, Auditors and Audit Firms (Part F) were best placed to provide their views on this technical point.

whether they found descriptions of the outcome of the audit procedures or key observations with respect to KAM to be useful as part of the communication of KAM in auditor’s reports. A notably higher percentage (above 80%) of respondents from the investors and regulators stakeholder constituencies found outcomes or key observations to be useful or very useful relative to other respondent groups.

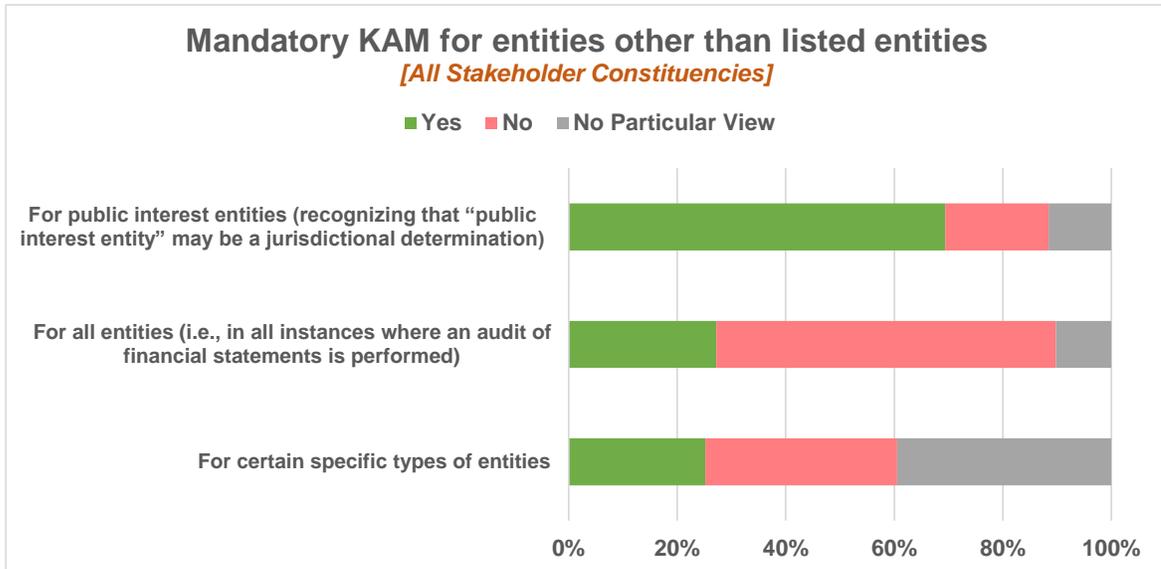


47. Respondents that found descriptions of the outcome or key observations with respect to KAM to be useful or very useful commented that without such description the KAM appears to the reader as inconclusive and incomplete and that providing outcomes or observations helped to understand the issues and the possible solutions from the auditor’s point of view. Respondents also commented that the inclusion of such descriptions helped reduce boilerplate in KAM descriptions.
48. Respondents noted that there is diversity regarding how auditors and network firms approach the reporting of outcomes or key observations with respect to KAM. In many instances, only a few firms or auditors choose to include such descriptions voluntarily due to the perceived risk of piecemeal or separate opinions being provided through these descriptions and perceptions regarding increased liability for the auditor when communicating such information.
49. Feedback from virtual roundtable participants and from academic research supported that reporting the outcome of the audit procedures with respect to KAM is considered very useful by users as this has provided them with more transparency and insight into the audit.

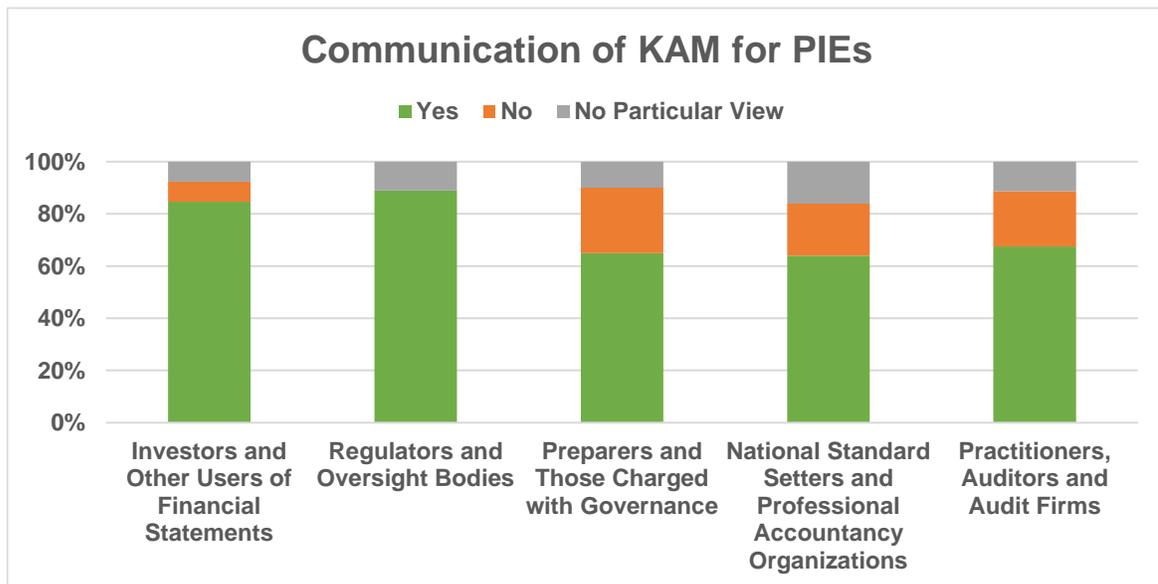
Requiring the Communication of KAM for Entities Other than Listed Entities

50. The chart below presents responses received from all stakeholder constituencies indicating their preference for mandatory communication of KAM for entities other than listed entities, broken down separately for PIEs, for all entities (i.e., in all instances where an audit of financial statements is performed) and for certain specific types of entities.²⁰

²⁰ The stakeholder survey asked respondents to provide further information on the specific entities they had in mind when providing their responses.



51. As shown in the chart below, respondents indicated a notable preference for reporting the communication of KAM for PIEs, across all stakeholder constituencies. There was a substantially higher percentage (above 80%) indicated by investors and regulators relative to other respondent groups.



52. Respondents commented that, before extending the requirement to report KAM to PIEs and proposing amendments to ISA 701, the IAASB would need to arrive at a common definition for PIEs in order to enable global consistency in the determination of the entities for which KAM is required to be communicated. On the other hand, some respondents expressed views that even if the IAASB determined a common definition for PIEs, there is a risk of determining the scope for KAM reporting too broadly if performed at a global level, considering national differences. Respondents explained that in some jurisdictions where KAM reporting is already required for PIEs, this appears to have had the unintended consequence of scoping in entities for which the KAM disclosures are boilerplate in nature or for which stakeholders indicated that they did not find KAM particularly useful. These respondents suggested that KAM reporting in auditor’s reports for entities other than listed be a jurisdictional decision at the discretion of regulators or national standard setters.

53. In relation to the “For all entities (i.e., in all instances where an audit of financial statements is performed)” and “For certain specific types of entities” options, respondents indicated a higher preference for no mandatory KAM reporting. Respondents commented that:
- (a) Communicating KAM is considered most useful when there is a significant separation between the entity and the users of its financial statements and therefore KAM reporting would not be particularly useful for certain types of entities, for example owner-managed businesses, where the stakeholders have regular interactions with the auditor. For these entities, respondents shared the perception that the benefits of expanding the requirements would not outweigh the related costs.
 - (b) Considering that the standard already allows for the voluntary reporting of KAM some preparers requested their auditors for a report prepared in accordance with ISA 701, even though the standard would not apply for their audit. This was largely motivated by a desire to increase the credibility of their financial reporting with providers of capital, indicative that some preparers perceive there to be value in the greater transparency over the audit process that KAMs provide.
 - (c) Investors and regulators indicated that in addition to PIEs and listed entities that carry a higher level of public accountability, mandatory reporting of KAM could be considered for financial institutions, regulated entities, non-governmental organizations, and donor funded projects.

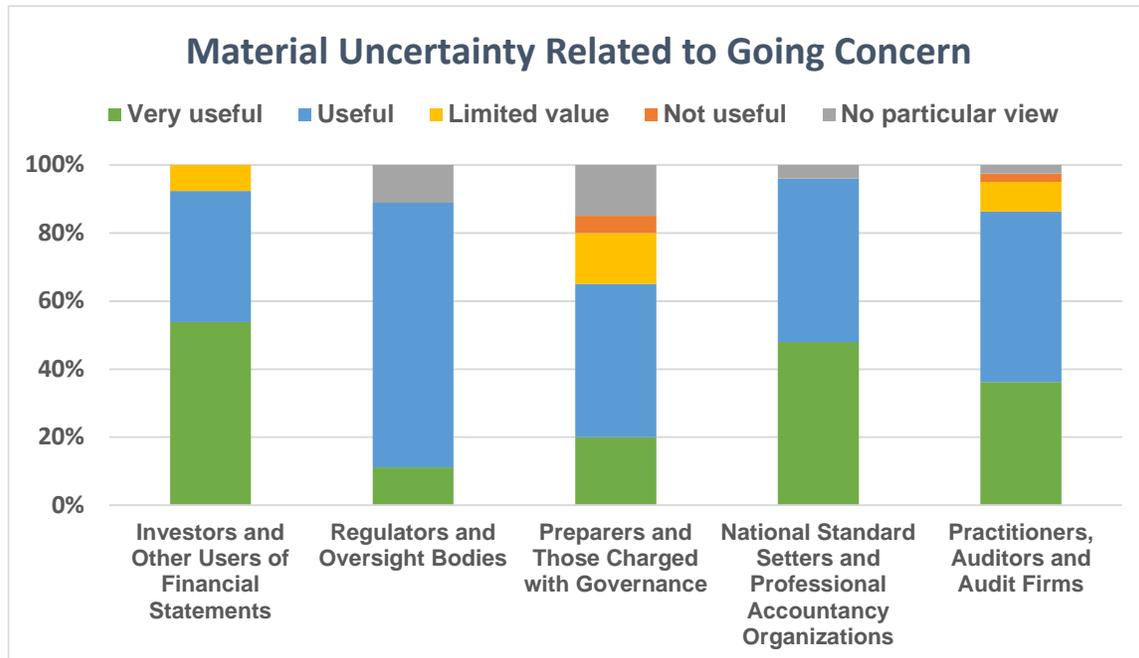
V. Going Concern

Key Takeaways for this Theme

- *The section on ‘Material Uncertainty Related to Going Concern’ 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:*
 - *Some uncertainty regarding how ‘Material Uncertainty Related to Going Concern’ section differs from an ‘Emphasis of Matter’ paragraph, including confusion with terminology used.*
 - *Some calls for making the ‘Material Uncertainty Related to Going Concern’ 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.*

Usefulness of the Section on ‘Material Uncertainty Related to Going Concern’

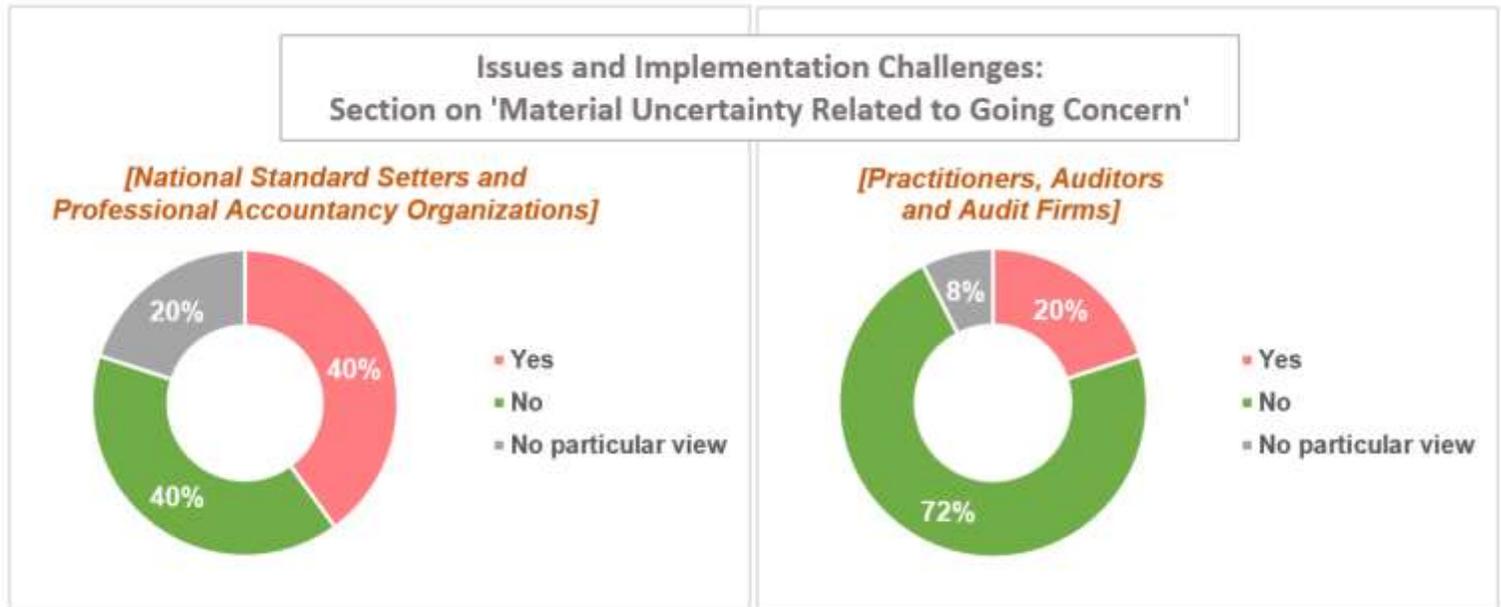
54. As indicated in the chart below, a majority of respondents from all stakeholder constituencies found inclusion of a section on ‘Material Uncertainty Related to Going Concern’ to be useful or very useful, with a notably lower view of usefulness observed in responses from preparers and TCWG.



55. The inclusion of a section on 'Material Uncertainty Related to Going Concern' was seen as helpful by respondents, and especially in the current circumstances where many entities are facing uncertainties related to the COVID-19 pandemic. Respondents also indicated that having a separate section gives more prominence and visibility to this aspect in the auditor's report, relative to the previously required Emphasis of Matter paragraph, which is of relevance given the significant impact that going concern matters have on user confidence.
56. Virtual roundtable participants concurred that going concern reporting has receiving more prominence in the current environment and indicated that further lessons in this respect can be expected as a result of the ongoing uncertainty in the current environment caused by the COVID-19 pandemic. Participants highlighted that it is critical in this area that there is more accountability needed from management and TCWG to make sure disclosures are appropriate and comprehensive.

Challenges with the Section on 'Material Uncertainty Related to Going Concern'

57. The stakeholder survey gathered inputs from NSS and PAOs, and auditors on whether they are aware of, or have experienced, implementation challenges or other issues with the section on 'Material Uncertainty Related to Going Concern.' As shown in the charts below, the number of NSS and PAOs perceiving challenges or issues is much higher (double) than that of auditors, although for both stakeholder groups the majority indicated that they had experienced no challenges or had no particular view.



58. Respondents commented that further education may be beneficial with respect to the 'Material Uncertainty Related to Going Concern' section as the reporting requirements are not well understood and in practice these paragraphs are still often referred to as an Emphasis of Matter.
59. Respondents also indicated that the challenge with respect to the 'Material Uncertainty Related to Going Concern' section is not necessarily the change to the auditor's report but ensuring adequate disclosures are made in the financial statements with respect to going concern. In certain cases, respondents commented that the entity's disclosures on going concern matters were not sufficiently detailed, or were overly optimistic, or did not pinpoint the "material uncertainty" that led to difficulties. These circumstances have been exacerbated in the current environment given uncertainties relating to the effects of the COVID-19 pandemic. It was also noted that in some jurisdictions, additional going concern disclosure requirements have been developed by national standard setters and regulators to help preparers provide relevant and transparent information for investors.

Differences Between KAM, Material Uncertainty Related to Going Concern, Emphasis of Matter and Other Matter Paragraphs

60. Below is an overview of respondents' comments focused on the 'Material Uncertainty Related to Going Concern' section of the auditor's report:²¹
- (a) Instances were observed by NSS and PAOs when a 'Material Uncertainty Related to Going Concern' is occasionally reported both under a separate section in the auditor's report and also as a KAM. Respondents commented that this was considered unnecessary and confusing to have a KAM on going concern when there is a 'Material Uncertainty Related to Going Concern' and that this may indicate that the interactions between the various standards may not be comprehensively understood.

²¹ This theme is also addressed in Section IV, above, that provides a summary of the responses to the specific question posed to NSS and PAOs, and auditors, as well as comments regarding the KAM section of the auditor's report.

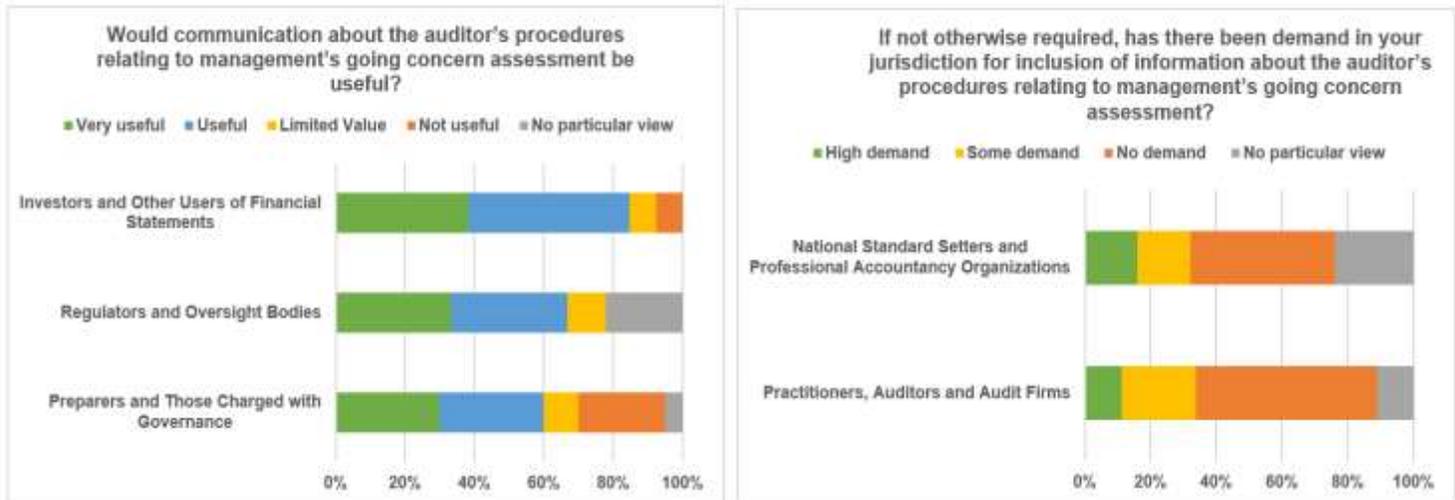
- (b) When a 'Material Uncertainty Related to Going Concern' is reported, auditors do not need to explain how the matter was addressed in the audit. Some respondents questioned if this is appropriate as it could be perceived that this section is less important and provides less information relative to KAM reporting. On the other hand, with respect to those cases when there are 'close call' situations, and a KAM on going concern is reported, then the auditor needs to explain how the matter was addressed in the course of the audit and provide more details regarding the auditor's procedures. There also was a view expressed by auditors that the communication of a 'Material Uncertainty Related to Going Concern' should be similar to how a KAM is described.
- (c) There also was inconsistency noted when a 'Material Uncertainty Related to Going Concern' in an interim review report of a listed company is reported using an Emphasis of Matter paragraph (under the requirements of ISRE 2410²²) versus the year end audit when the material uncertainty is included in a separate section under the heading 'Material Uncertainty Related to Going Concern.'
- (d) Some confusion with terminology still exists and in discussions with management 'Material Uncertainty Related to Going Concern' is often still referred to as an Emphasis of Matter. In the current COVID-19 environment, debates often arise around whether or not something constitutes an Other Matter or an Emphasis of Matter. Also, in these circumstances some items are included as both an Emphasis of Matter and KAM.
61. With respect to going concern, participants at the virtual roundtable provided the following insights:
- Participants commented that users do not see much enhancement in this area and compared the separate section on 'Material Uncertainty Related to Going Concern' to the previous Emphasis of Matter paragraph. Also, some participants questioned if the KAM section would be a better place to report going concern matters, as there is more room to "tell the story".
 - Participants discussed the challenges that relate to having better management disclosures in this area and also that caution needs to be exercised not to be developing boilerplate language with respect to the auditor and management responsibilities with respect to going concern. Such language was considered unhelpful by participants and may obscure the message around the nature of any material uncertainty related to going concern.

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

62. As shown in the charts below, a majority of investors, regulators, and preparers and TCWG found inclusion of additional information on the auditor's procedures relating to management's going concern assessment to be useful or very useful. On the other hand, NSS and PAOs and auditors indicated that there had been limited or no demand in their jurisdictions for inclusion of additional information in the auditor's report about the auditor's procedures relating to management's going concern assessment.²³

²² International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

²³ The relevant questions in the stakeholder survey focused on the same theme but was posed in different ways to better suit each of the stakeholder groups.



63. Respondents also had mixed views in relation to the specific comments they provided:

- (a) While some respondents thought that it would be useful for users to understand how the auditor responded to going concern-related risks, instead of just seeing management's side only, others were of the view that inclusion of further information would increase the length and complexity of the auditor's report and that this may inadvertently unbalance the report towards going concern matters.
- (b) Those respondents who indicated that based on outreach performed, there was limited demand for inclusion of additional information in the auditor's report relating to management's going concern assessment recognized that this feedback was received prior to the COVID-19 reporting season.
- (c) Respondents acknowledged that there is sometimes confusion between KAM and the 'Material Uncertainty Related to Going Concern' section of the auditor's report and that this has raised questions with respect to disclosing additional information about going concern in the auditor's report (e.g., whether more descriptive entity-specific information about the material uncertainty should be included in the KAM section). Respondents encouraged the IAASB to consider these matters further based on feedback received from respondents to the Discussion Paper on Fraud and Going Concern on the Audit of Financial Statements.

64. As a general comment in relation to communication about going concern in the auditor's report, participants at the virtual roundtable indicated that some of the challenge in this area can be solved by having local and international accounting standard setters enhance going concern disclosures and also to include more relevant information from management (e.g., sensitivity analysis and more on the risks to the business). In summary, participants considered that everyone in the financial reporting ecosystem has a role to play in this space.

VI. Other Elements of the Revisions to the Auditor Reporting Standards

Key Takeaways for this Theme

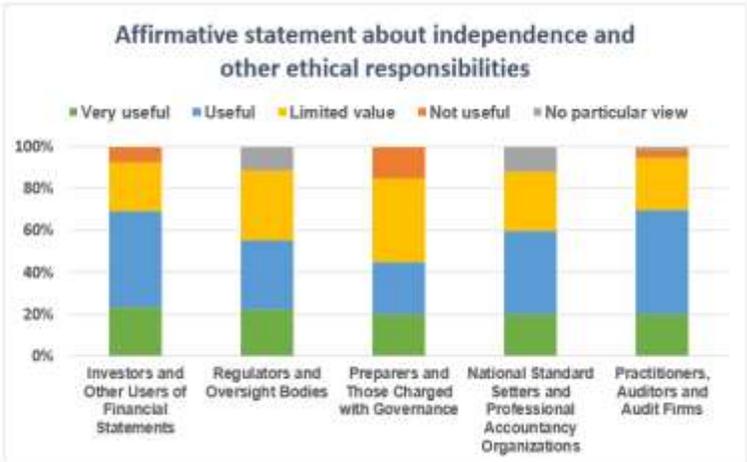
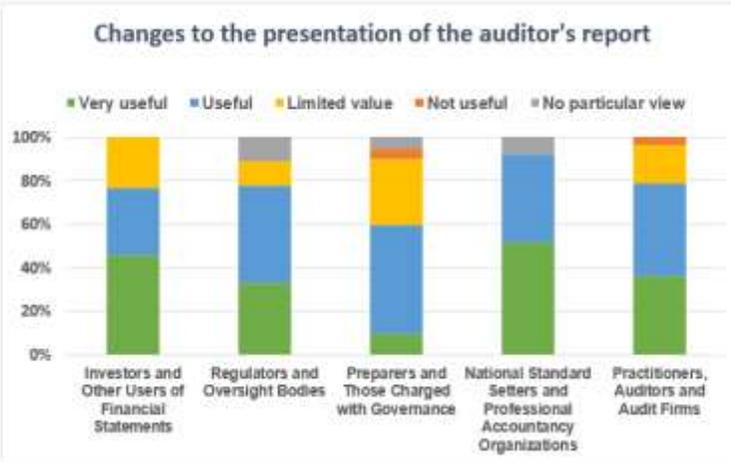
- *Positioning the opinion section first was considered an important enhancement:*
 - *Information of most relevance is now found upfront*

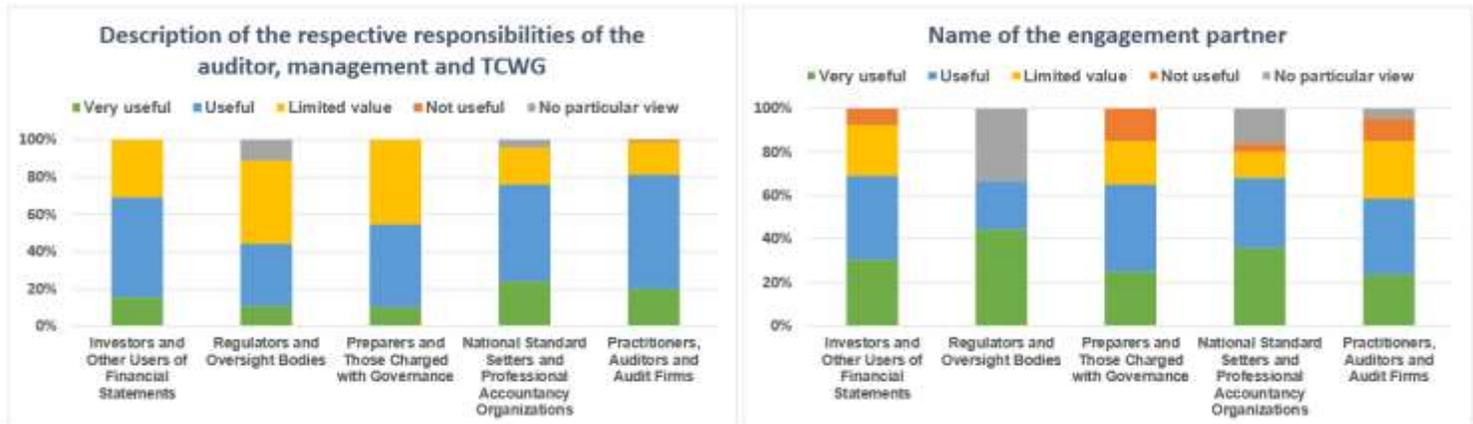
- Provides important context for the reader.
- Certain developments in relation to relevant ethical requirements, for example, regarding non-audit services, may be considered to have an impact on the auditor’s statement in the auditor’s report.
- Some concern expressed that the auditor’s reports have 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 engagement partner (e.g., due to legislative reasons the individual signing the auditor’s report might not necessarily be the same as the engagement partner).

65. The stakeholder survey explored stakeholder perspectives on the usefulness and challenges with respect to other elements of the auditor’s report that were subject to change as part of the IAASB’s auditor reporting project. These included:

- The presentation of the auditor’s report (i.e., opinion section required to be presented first, followed by the basis for opinion section);
- 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;
- Descriptions of the respective responsibilities of the auditor and of management and those charged with governance; and
- Communicating the name of the engagement partner.

66. The charts below provide an overview of responses from all stakeholder constituencies about the usefulness attributed to these other elements of auditor’s reports.





67. Respondents provided the following comments with respect to each of these four new elements of the enhanced auditor’s report:

(a) Changes to the presentation of the new auditor’s report.

Respondents supported the change in the presentation format and specifically highlighted that reordering the opinion paragraph as the first section of the auditor’s report was considered as a very useful improvement because the information considered to be of most relevance to users is now found upfront. With this change, respondents commented that users of financial statements are able to better understand the context in which they are reading the auditor’s report and that the re-ordering provides appropriate prominence to the opinion.

(b) Affirmative statement about the auditor’s independence and fulfillment of relevant ethical responsibilities.

Although respondents found this section useful, they indicated that there are evolving trends in national jurisdictions where users expressed concern around the provision of non-assurance services, and in these circumstances the inclusion of an affirmative statement about independence and identification of the independence requirements was seen as unhelpful. Some suggestions were made for the auditor’s independence declaration to be expanded to require the auditor to specifically confirm that no prohibited non-audit services have been provided.

(c) Description of the respective responsibilities of the auditor and management and those charged with governance.

- Notwithstanding the usefulness of this section, respondents indicated that these paragraphs are perceived as being too long, with non-entity specific and technical language that is often not well understood by users and are therefore often overlooked. Being able to refer to the description of the auditor’s responsibilities on a regulator’s website was welcomed in streamlining the auditor’s report; however, there were issues identified in such circumstances (e.g., when the description is subsequently changed by the regulator considering that the auditor cannot update or control the content of those website links, as well as issues when the auditor’s report is expected to be translated into different languages).
- Respondents observed challenges with this section when the financial statements are prepared on a basis other than a going concern as there is perceived ambiguity with the standards as to how the respective descriptions of the responsibilities of management and the auditor should be tailored in this case.

- Respondents also noted that there are certain specific considerations with respect to the auditor’s responsibilities as well as that of management and those charged with governance in a public sector audit, specifically related to going concern, and further guidance would be helpful for these types of entities and circumstances.
- (d) Name of the engagement partner.
- Respondents supported the inclusion of the name of the engagement partner as being useful and that it provides accountability and transparency about who is responsible for the audit engagement.
 - Respondents commented that the requirement to disclose the name of the engagement partner is often a jurisdiction-specific matter, and that there were many jurisdictions where the engagement partner’s name was already required by regulation prior to introduction of the new requirements and was therefore not considered a significant or new change.
 - In some jurisdictions the benefits of including the name of the partner were not perceived to be valuable. In certain jurisdictions, the audit firm was considered responsible for the engagement and not the individual, and in other national jurisdictions there are requirements for licensed partners to sign the auditor’s report, leading to an ongoing discussion about the value of including the engagement partner’s name, as that individual might not necessarily be the same person signing the report due to legislative reasons. In some jurisdictions, issues were experienced when issuing auditor’s reports for entities with dual listings.

VII. ‘Other Information’ Section of the Auditor’s Report

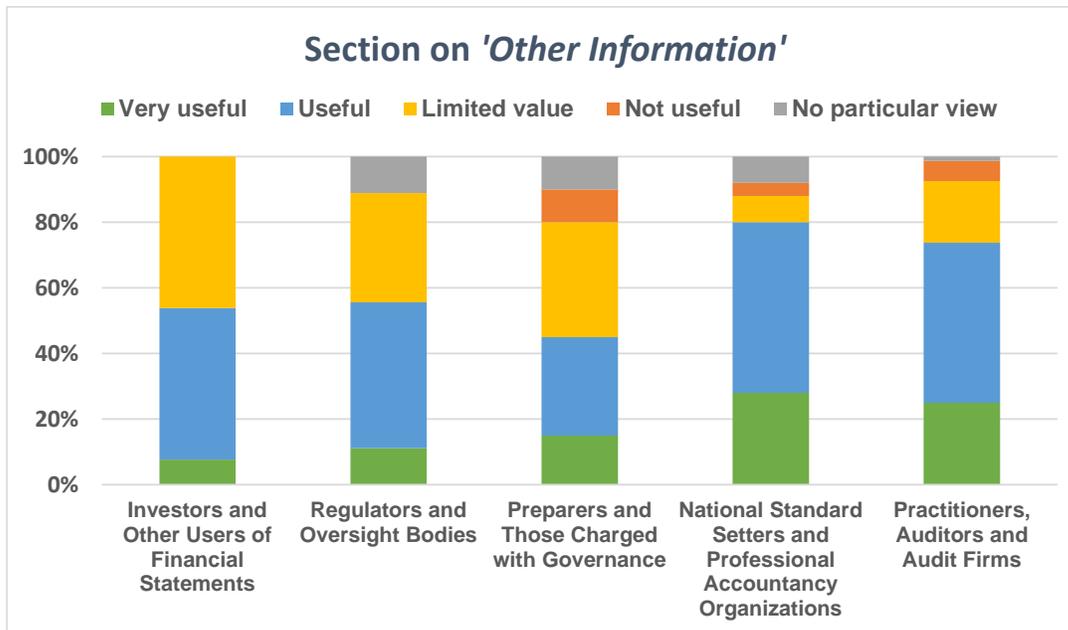
Key Takeaways for this Theme

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

68. Given previous concerns raised by stakeholders about certain implementation challenges with ISA 720 (Revised),²⁴ a separate focus on other information was considered necessary in the survey, and stakeholders were asked to provide further information on a number of aspects when other information is included in the annual report and the auditor’s report includes an ‘Other Information’ section.

Usefulness of the ‘Other Information’ Section

69. The chart below provides an overview of respondent views from all stakeholder constituencies about whether they found the inclusion of the ‘Other Information’ section in the auditor’s report to be useful.



70. Responses from NSS and PAOs, and auditors indicated a higher assessment of the usefulness of the ‘Other information’ section relative to other stakeholder constituencies.
71. Respondents had the following supportive comments relating to the ‘Other Information’ section:
- The inclusion of this section provided users of financial statements with greater clarity and transparency about the other information included in the annual report.
 - The inclusion of this section helped to clarify the scope of the audit and added context to what information has been audited versus what information the auditor read and considered, and explained whether the other information is materially inconsistent with the financial statements.
 - The placement of the ‘Other Information’ section, after the auditor’s opinion paragraph and KAM section, helped to distinguish the other information and did not have a distracting effect on user

²⁴ National Standard Setters at their meeting in May 2018 discussed concerns with respect to ISA 720 (Revised) related to the following aspects: (i) The determination of which documents constitute “other information”; (ii) The basis for selection of amounts or other items in other information; (iii) How the other information is described in the auditor’s report; (iv) Addressing circumstances when the entity is not certain of what information should be included in the annual report; (v) How the auditor is expected to know that the other information has been finalized as it may only be released after the financial statements and auditor’s report; (vi) How to apply the requirements of ISA 720 (Revised) to audits of financial statements prepared in accordance with a special purpose framework; and (vii) Communications between the auditor, preparers and those charged with governance regarding responsibility for preparing the other information, including its timing.

attention.

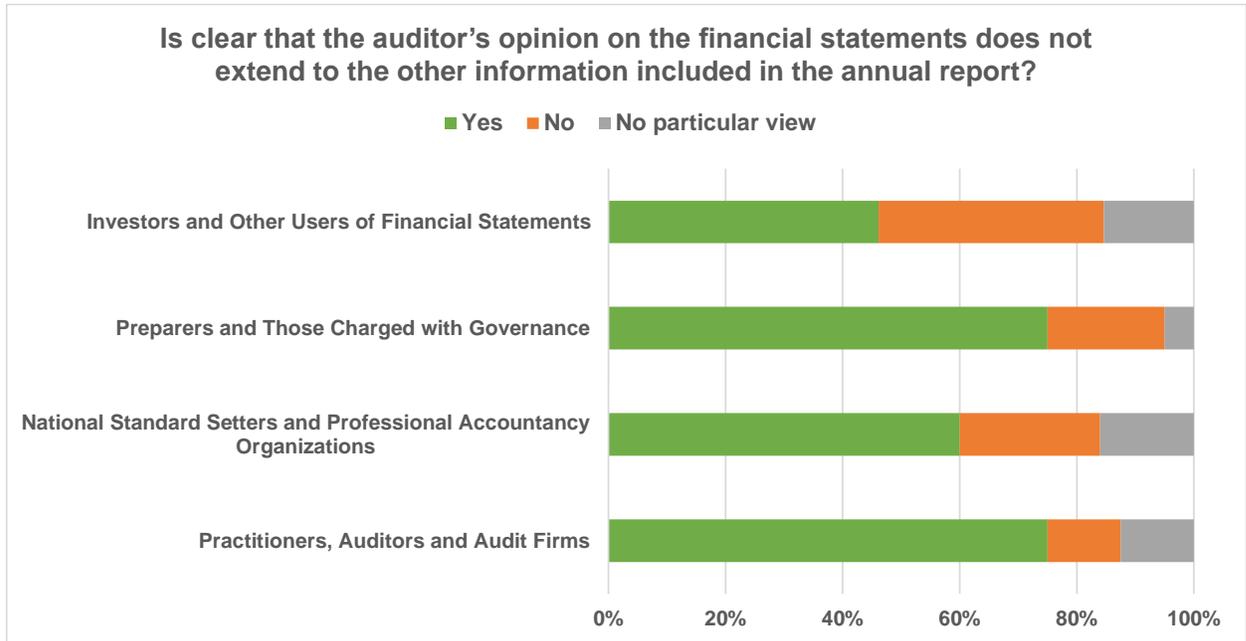
- (d) The section helped clarify the auditor's responsibility related to such information, especially as it reinforces to readers that some information in the annual report is not audited. This also helps narrow the potential public expectation gap in which auditors could be seen to have audited all the information that is contained in the annual report and emphasizes what the auditor is providing (or is not providing) assurance on.
- (e) Respondents also commented that the usefulness of this section is often dependent on the timing and availability of the other information at the date of the auditor's report (see next paragraph).

72. Those respondents who found the 'Other Information' section to be less useful provided the following comments (additional perspectives regarding some of these matters are provided in the "*Implementation and Other Challenges*" subsection below):

- (a) Some respondents indicated that the 'Other Information' section did not appear to be regarded as useful by investors or to add particular value for some users. This was because often these stakeholders do not depend on the other information section of an auditor's report, except possibly to reference any inconsistencies with the financial statements.
- (b) Respondents commented that the 'Other Information' section appeared confusing for both users and preparers and that it was not clear how this section related to the overall auditor's opinion. Respondents noted that there may be a need to make the wording in this section more direct, i.e., to consider if there is a need to reevaluate the wording on "what had been received versus what had not been received" in order to make the section easier to understand and more straightforward.
- (c) Respondents observed that in practice, the other information section can prove difficult because:
 - (i) Often it is the case that the other information is not available at the time the auditor's report is signed. In such instances the reporting is not required for certain entities (i.e. listed versus non-listed entities) leading to inconsistent treatment causing confusion, or if required, the auditor is not able to provide a statement about the work performed.
 - (ii) It is unclear which documents, reports or information comprise other information and this can be confusing and cumbersome for auditors to manage when not all of the other information is received prior to the finalization of the auditor's report.
 - (iii) In some jurisdictions, due to the fact that parts of the other information are being subject to assurance procedures with a reasonable assurance conclusion, it has become a very complex exercise to distinguish which parts of the information are "audited" and which parts are in fact the 'Other Information' for which no assurance is being expressed, resulting in much complexity in the auditor's report.
- (d) Respondents indicated that the value of the auditor's work performed on the other information is diluted, given that the extent of work to be performed is not specified in the standard and no conclusion is required. Respondents commented that the 'Other Information' section is often too vague and that there is a large amount of variation as to how the other information is identified and described in auditor's reports.

Clarity That the Auditor’s Opinion Does Not Extend to the ‘Other Information’

73. The chart below provides an overview of responses from stakeholders on whether they found it clear that the auditor’s opinion on the financial statements does not extend to the other information included in the annual report (i.e., that no form of assurance conclusion is being expressed on the other information).²⁵



74. About 70% of preparers and TCWG and auditors noted that it is clear that the auditor does not express assurance on the other information, followed by NSS and PAOs (about 60%). Less than half of investors found this to be clear, which may raise questions about the communicative value of this section.
75. Respondents provided the following comments that give additional context:
- (a) Different users may have a very different impression about the extent of assurance provided over the other information. For example, respondents indicated that it is likely that unsophisticated users may have a perception that the other information is also audited while for some other user profiles it may not be clear which parts of the annual report are covered by the auditor’s report.
 - (b) Although it is stated in the ‘Other Information’ 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.
 - (c) The close proximity of the ‘Other Information’ section 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. Respondents suggested that it may be helpful to move the ‘Other Information’ section closer to the end of the auditor’s report or reposition the section to sit outside of the auditor’s report on the financial statements.

²⁵ Regulators and Oversight Bodies were not asked this question as part of the survey.

Implementation and Other Challenges with Respect to the 'Other Information' Section

76. The stakeholder groups identified below were asked certain additional questions relating to their knowledge of or views about implementation and other challenges relating to the 'Other Information' section in the auditor's report. Respondents highlighted the following issues and challenges:
- (a) Regulators did not indicate many findings as a result of their regulatory inspections with respect to the 'Other Information' section but commented that there is a possible risk present that investors place reliance on non-financial narratives included in the 'Other Information' section that are, in most instances, unaudited and that this can pose a significant risk to the public.
 - (b) NSS and PAOs commented that because other information is often specific to the jurisdiction, many considered it useful to provide non-authoritative guidance to assist practitioners in implementing ISA 720 (Revised), and in relation to certain additional auditor reporting obligations imposed by law or regulation for statutory audit reporting. Some respondents from this stakeholder group indicated that there is a variety of management reports issued by companies and it becomes very challenging to identify the other information that the auditor should read and consider, and called for more guidance in ISA 720 (Revised) with respect to this aspect. Respondents also recognized that it is critical that IAASB continues its coordination efforts with the National Standard Setters for further specific feedback on other information.
 - (c) Auditors noted that there had been many challenges and questions that arose in various jurisdictions with ISA 720 (Revised) implementation, especially with regards to:
 - (i) 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.
 - Determining if a document is within the scope of ISA 720 (Revised) was the most significant issue that stakeholders found while implementing ISA 720 (Revised). Instances where difficulties arose related to lack of clarity when the document contains some but not all aspects of an annual report, a document that is not normally considered to be an annual report but is incorporated by reference in an annual report (or embedded as a pdf file or hyperlink to a website) and a document that is not normally considered to be an annual report but is part of a package that contains the annual report (e.g., marketing material). Respondents commented that further clarification of the IAASB's position (or guidance on factors to be considered) in determining whether documents in these circumstances are within the scope of ISA 720 (Revised) would be very helpful.
 - It was not clear if the scope of the other information related to the separate financial statements of the parent company in the auditor's report or the consolidated financial statements when both sets of financial statements are made public.
 - In the public sector, challenges with identifying the other information are present and respondents called for the standard to include specific public sector considerations for further clarity.
 - Respondents commented 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 term "annual report". Respondents noted that across jurisdictions there is much variation on how other information is defined. While in some

jurisdictions the scope of the other information and the company's responsibilities are clearly defined, including the approval processes and timing for release of the other information, there is lack of clarity in other jurisdictions.

- (ii) Issues that arise when the other information is not available at the time the auditor's report is signed.
- When the other information is not available, identifying which information was received and considered before the auditor's report was issued, can become confusing and complicate the drafting of the wording for the 'Other Information' section. Respondents noted that there are inconsistencies in how this is being reported and it is not always clear if the auditor has not received some other information and whether the information received was final or not. Respondents suggested that the communication could be simplified, including not being required to specifically indicate what information had or had not been received.
 - When the other information is received well after the date of the auditor's report, companies challenged auditors when identifying information not yet released because they were concerned it might be perceived as being critical of management's processes. Some also wanted the auditor to update the auditor's report when the information was released subsequent to the audit opinion date. Respondents indicated that it is not clear whether the auditor is required to consider the other information that may have been issued after the date of the auditor's report and that there are some further challenges associated with this aspect (e.g., how to deal with other information when the auditor's report is reissued, whether dual dating is required, clarity about whether the auditor is required to consider other information that may have been issued after the date of the auditor's report, etc.).

VIII. Additional Information in the Auditor's Report Beyond What is Required by the Auditor Reporting Standards

Key Takeaways for this Theme

Materiality and Scope of the Audit

- *Mixed views among different stakeholder constituencies*
 - *Investors found it 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.*

Other aspects of the audit

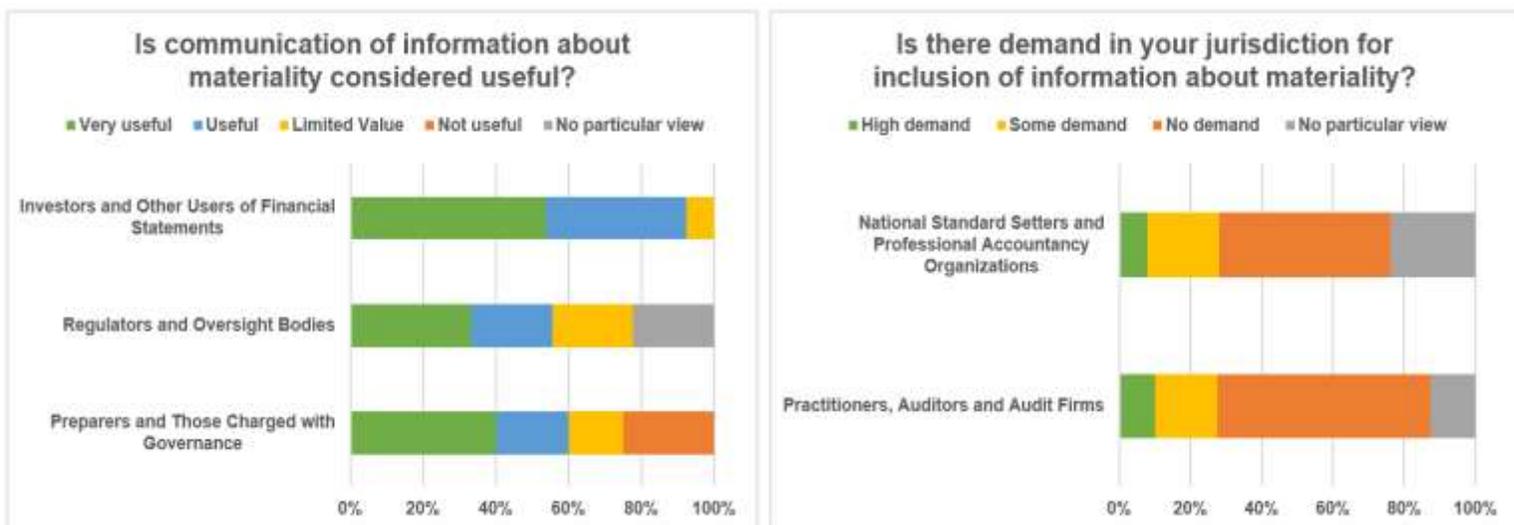
- *Some support for inclusion of further insight about what the auditor has done with respect to fraud given the existing 'expectation gap.'*
- *Caution that more implementation experiences are needed and it may be too soon to propose further changes.*

- *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).*

77. The Auditor Reporting PIR stakeholder survey explored the views of different stakeholder groups relating to 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.²⁶ The relevant survey questions focused on additional information with respect to materiality applied by the auditor in conducting the audit, inclusion of information about the scope of the audit (i.e., the auditor’s approach) and information about any other aspects of the audit.

Materiality

78. As shown in the charts below, a majority of respondents from the investors, regulators, and preparers and TCWG stakeholder constituencies found inclusion of additional information in the auditor’s report about materiality as useful or very useful. On the other hand, NSS and PAOs, and auditors indicated that there had been limited or no demand in their jurisdictions for inclusion of additional information on materiality in the auditor’s report when not otherwise required.



79. Respondents also had mixed views in relation to the specific comments they provided:

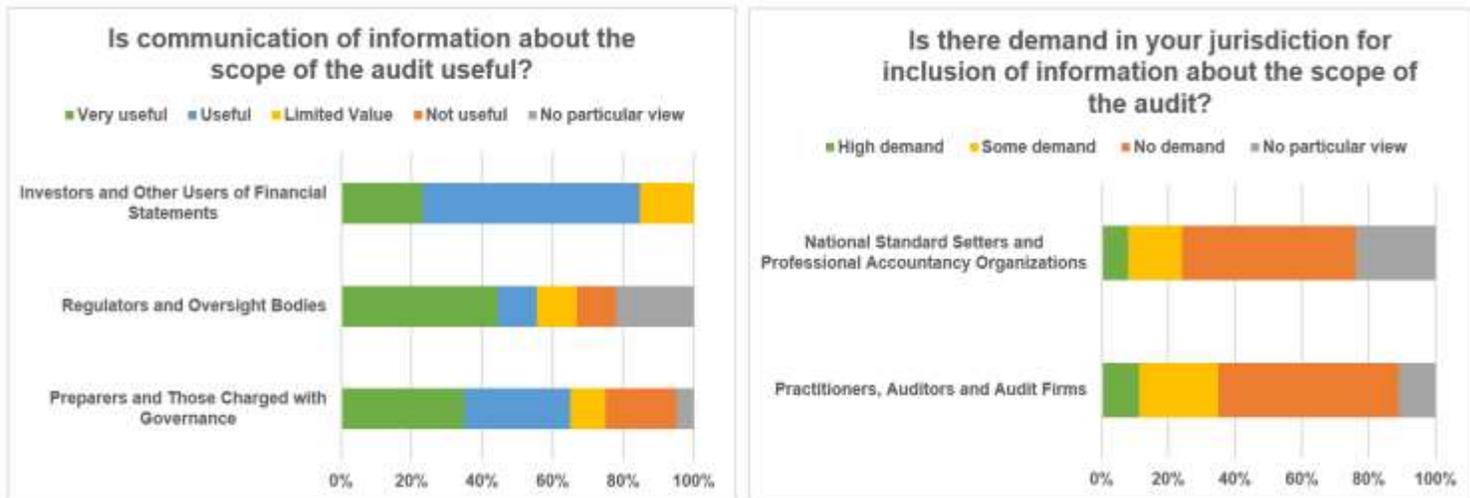
- Some respondents commented that the inclusion of materiality is useful as it helps reduce the expectation gap between auditors and other stakeholders, provides more transparency and clarity on the extent of the audit work performed and facilitates understanding of the context in which the auditor conclusions are reached.
- Other respondents indicated that the inclusion of materiality in the auditor’s report may cause confusion or unwarranted concerns for financial statements users as the concept of materiality is too subjective and complex to be reduced to a single number and described appropriately in the auditor’s report. Instead, respondents commented that such information is useful for, and often discussed with Audit Committees and those charged with governance.

²⁶ The relevant questions in the stakeholder survey focused on the same theme but was posed in different ways to better suit each of the stakeholder groups.

80. The academic research and other literature review also indicated mixed views about the inclusion of additional information about materiality:
- (a) Experimental research undertaken could not identify a material effect of expanding the auditor report to include the materiality level and as a consequence, the study concluded that standard setters should carefully analyze the effect of additional information before making decisions on expanding the content of the auditor's report.
 - (b) Other research and investor surveys undertaken suggested support for inclusion of materiality in some jurisdictions as investors found that this information provided them with more transparency and insight into the audit. In other jurisdictions investors were indifferent as to whether materiality should be included in the auditor's report. More experienced investors, such as analysts, expressed views that as there is generally a standard way of establishing materiality, and it can often be determined without being explicitly reported. Some noted that materiality is not a contentious issue and has been reported to management and those charged with governance each year. There were also others that expressed a preference for consistency across auditor's reports in jurisdictions.
 - (c) In one jurisdiction (the United Kingdom), where there is a regulatory requirement to disclose materiality, investors had suggested a number of improvements to the explanations with regard to auditors' application of materiality (e.g., benchmark and level). Investors had also expressed a strong preference for enhanced disclosure on all aspects of materiality and how it impacts on the conduct of the audit. Many of the audit firms believed that performance materiality is a particularly difficult and technical aspect of materiality to explain, and questioned the value of further disclosure.
81. Virtual roundtable participants also had mixed views with respect to inclusion of information regarding materiality in auditor reports:
- (a) Some participants discussed experiences from the United Kingdom and the disclosure of materiality in the auditor's report, indicating that feedback from the investors' perspective has been very positive.
 - (b) One participant shared insight into ongoing discussions in Brazil that the insurance regulator is currently undertaking with stakeholders in relation to materiality disclosures. The participant explained that on one hand, it is deemed by some that disclosing materiality would provide parameters to users that are relevant for their further analysis, but on the other hand it is recognized that audit materiality is a complex matter that may not be understood by users and may cause confusion.
 - (c) Participants indicated that further discussions are necessary when it comes to additional matters to be included in the auditor's report, especially with respect to disclosing materiality as this is considered a very complex concept but nevertheless an important aspect that the IAASB should revisit.

Scope of the Audit

82. The charts below summarize stakeholder responses with respect to the communication of additional information in the auditor's report about the scope of the audit.



83. Similar to the responses relating to materiality, there were mixed views on this aspect. A majority of respondents from the investors, regulators, and preparers and TCWG stakeholder constituencies found inclusion of additional information in the auditor’s report about the scope of the audit as useful or very useful – with investors indicating a very strong preference. NSS and PAOs, and auditors indicated that in their jurisdictions, there had been limited or no demand for inclusion of additional information on the scope of the audit in the auditor’s report when not otherwise required.
84. Preparers and TCWG, NSS and PAOs, and auditors commented that the inclusion of information about the scope of the audit (i.e., the auditor’s approach), seemed to be a decision based on the firm’s preference. Respondents indicated that while information about the audit scope could be useful for users of financial statements to understand what the auditor looked at or the extent of the audit, it could make the auditor’s report too lengthy.
85. Investors supported that auditors may need to explain why the scope is sufficient in their view, possibly linking it to the cost of the audit. Regulators expressed views that inclusion of information on the scope of the audit can help reduce the expectation gap and that inclusion of information about the size of the entity and how the auditor performed the audit would be very useful, as it would help the reader understand the thought process applied by the auditor and the considerations made by in performing the audit.

Other Aspects of the Audit

86. Respondents had diverse views with respect to inclusion of further information about other aspects of the audit. NSS and PAOs expressed concern about the impact further information could have on the length and complexity of the auditor’s report.
87. Those who supported inclusion of further information about other aspects of the audit provided individual comments on what they considered would be useful to cover, including information about the following aspects:
- Auditor’s tenure and fees for non-audit services that helps users in forming a view about the independence of the auditor and compliance with ethical requirements;
 - Inclusion of non-financial aspects assessed by the auditor on Environmental, Social and Governance (ESG) factors;
 - Descriptions of the unadjusted and adjusted audit differences;

- Information about internal controls;
 - Information whether the entity is a PIE;
 - Size and composition of the audit team by location and total audit effort (e.g., number of audit hours);
 - The name of the engagement quality reviewer (when applicable).
88. Individual respondents indicated that providing further information in the auditor’s report with respect to the auditor’s responsibilities with respect to fraud can be very useful considering the existing ‘expectation gap.’
89. It also was noted at the virtual roundtable discussion that given the existing ‘expectation gap’ with respect to fraud, the auditor’s report could include specific commentary that provides further insight about what the auditor had done with respect to fraud during the audit.
90. The academic and other literature review found that focused discussions with investors in the United Kingdom indicated that investors felt that more could be done to enhance auditor’s reports, including:
- Providing more complete information about the sensitivity ranges used in testing,
 - The auditor’s assessment of the quality of an entity’s internal controls informing their significant risk assessment; and
 - The auditor’s view on the appropriateness of management estimates. Investors would prefer greater transparency about assumptions made by management and benchmarks used by auditors.
91. In addition, both investors and audit firms in the United Kingdom had suggested some more aspirational changes which include:
- Introducing a discussion within either the auditor’s report or the Audit Committee report as to why an auditor raises a risk that is not also dealt with by the Audit Committee in its report.
 - Including the new information provided in the extended auditor’s report in the preliminary announcement.
 - Providing an opportunity for stakeholders to challenge the proposed scope of the audit by publishing the audit plan in advance of the year end.
 - Providing more encouragement for the reporting of issues arising from the quality of company’s systems.
92. Virtual roundtable participants noted that instead of adding more, there is a preference for making the existing content more engaging and accessible for the users. Participants commented that because the enhanced Auditor Reporting Standards are still considered to be “new” and more time is likely needed to get implementation experiences, it may be too early to make significant changes.

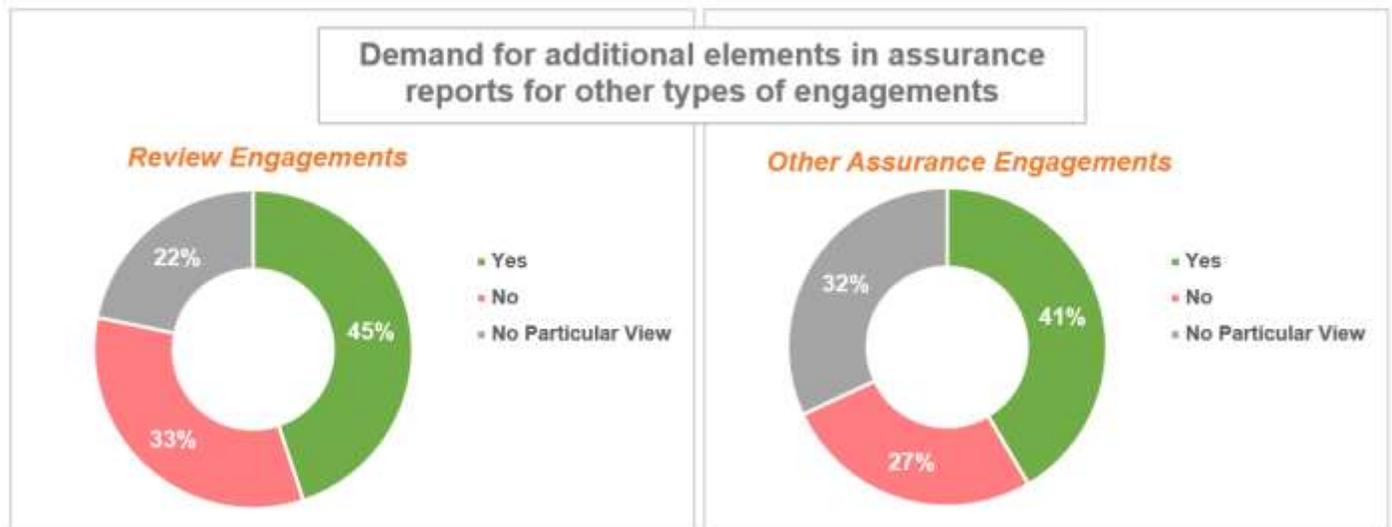
IX. Considering Revising Assurance Reports for Other Engagements to Align with the Auditor’s Report on an Audit of Financial Statements

Key Takeaways for this Theme

- 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 (i.e., opinion / conclusion first, naming the engagement partner, independence and other ethical responsibilities statement and, when applicable, separate section under the heading “Material Uncertainty Related to Going Concern”) – this would enable consistency.

93. The stakeholder survey 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)²⁷ assurance engagements)).

94. The charts below provide an analyses of responses received in this area from all stakeholder constituencies indicating their preference in relation to including elements similar to those in the auditor’s reports on an audit of financial statements for other types of engagements, broken down separately for review engagements and other assurance engagements.



²⁷ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

95. A further analysis across different stakeholder groups (see charts below) indicates that investors expressed a higher preference relative to other stakeholder groups for inclusion of elements similar to those in the auditor’s reports for other types of engagements (i.e., approximately 80% for review engagements and 60% for other assurance engagements). Regulators expressed a lower preference (i.e., approximately 20% for both review and other assurance engagements) relative to the other stakeholder constituencies.²⁸



96. Based on their additional comments, respondents do not appear to be supportive of communicating KAM in other assurance reports. Respondents highlighted that:
- This may create confusion for users, inadvertently convey a higher level of assurance on those matters reported and widen the expectation gap. For those other engagements whose scope of procedures are limited to primarily inquiry and analytical procedures, users may perceive a greater level of assurance than provided by these limited assurance engagements.
 - In the case of limited assurance engagements, it may be difficult and not practical to develop meaningful KAM without having had performed additional procedures in relation to the matter to be reported. In such situations, the benefits of communicating KAM would not outweigh the related costs and could, for example, impact the timing for release of interim information in the marketplace.
 - A clear distinction needs to be maintained and demonstrated between the auditor’s reports on financial statements relative to practitioner reports for other assurance engagements indicating that these engagements are specific and for a particular purpose and/or use and that flexibility in tailoring of these reports is essential.

97. Some respondents supported inclusion of those elements that relate to the structure of the report (i.e., reordering the opinion / conclusion first), naming the engagement partner and inclusion of an affirmative statement about the practitioner’s independence and fulfillment of relevant ethical responsibilities. Respondents highlighted that these elements would enhance the consistency between review and full year reports for listed companies and would also enable consistent use of terminology in relation to auditor / practitioner reporting throughout the IAASB’s suite of standards. Some respondents also indicated support for inclusion of a separate section under the heading ‘Material Uncertainty Related to Going

²⁸ Respondents among the Regulators and Audit Oversight Bodies stakeholder constituency commented that these engagements often fall out of the scope of their regulatory inspections and were therefore not able to provide a particular view.

Concern,' when applicable, as this would contribute toward consistency and users would be able to identify going concern matters with ease and clarity.

X. Way Forward

98. The ARIWG will continue to monitor global developments in those jurisdictions that have more recently implemented enhanced Auditor Reporting Standards (including the US PCAOB) to obtain further insights for developing recommendations arising from the PIR.²⁹
99. Further actions to be taken by the ARIWG include:
- Based on the feedback received from the Board during the February 2021 Board meeting, as well as further monitoring activities and outreach, revisit the results from the stakeholder survey for deeper analysis, as well as combining input from different sources to inform the ARIWG's initial views on issues.
 - Consider auditor reporting implications based on feedback received on the 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.*](#)
 - Consider auditor reporting implications based on feedback received on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, *Definitions of Listed Entity and Public Interest Entity (PIE)*.³⁰
 - Consider auditor reporting implications from the results of a joint IAASB-New Zealand Auditing and Assurance Standards Board project to obtain an understanding of circumstances where an individual, other than the engagement partner signs the auditor's report, either instead of or on behalf of, the engagement partner, and the reasons why these occur.
100. The ARIWG plans to present the results of its further actions, together with initial views on targeted issues, to the Board in Q3 2021. Following that discussion, the ARIWG will develop PIR recommendations for the IAASB's consideration in Q4 2021.

Coordination with Other Workstreams

101. Based on the ARIWG's further actions discussed in paragraph 99, above, the ARIWG will continue to coordinate with the IAASB Fraud and Going Concern Working Groups, as well as the IESBA PIE Task Force.

Feedback Statement

102. In order to keep stakeholders informed of its progress in relation to the Auditor Reporting PIR, the ARIWG intends to publish a Feedback Statement during the latter part of Q2 2021 detailing the feedback received through the stakeholder survey.

²⁹ The ARIWG recognizes that the timeframe is limited and does not expect significant further developments emerge.

³⁰ The IAASB has been coordinating with IESBA in relation to its project on the definitions of listed entity and PIE, which has culminated in the inclusion in the Exposure Draft of specific matters that address the IAASB's position in relation to the IESBA proposals and the possible considerations for the IAASB's Standards, as well as a specific question to stakeholders to inform the IAASB's information gathering in this regard.

103. The Feedback Statement is a non-authoritative document that is not subject to IAASB Due Process (i.e., not subject to the formal approval process of authoritative documents). However, the ARIWG intends to obtain the Board's views about the document via offline comments.

Appendix 1

List of Jurisdictions That Responded to the Auditor Reporting PIR Stakeholder Survey

No.	Jurisdiction	Number of Respondents
Global		Total: 18
Africa		Total: 35
1.	Namibia	2
2.	South Africa	28
3.	Tanzania	1
4.	Uganda	1
5.	Zimbabwe	3
Asia Pacific		Total: 41
6.	Australia	12
7.	China	1
8.	Taiwan	1
9.	Hong Kong	2
10.	Indonesia	1
11.	Japan	1
12.	Korea	1
13.	Malaysia	3
14.	Maldives	2
15.	Mongolia	1
16.	New Zealand	5
17.	Pakistan	6
18.	Philippines	1
19.	Sri Lanka	4
Europe		Total: 27
20.	Armenia	1
21.	Austria	1
22.	Belarus	1
23.	Belgium	1
24.	Cyprus	1
25.	Czech Republic	1
26.	France	1
27.	Georgia	1

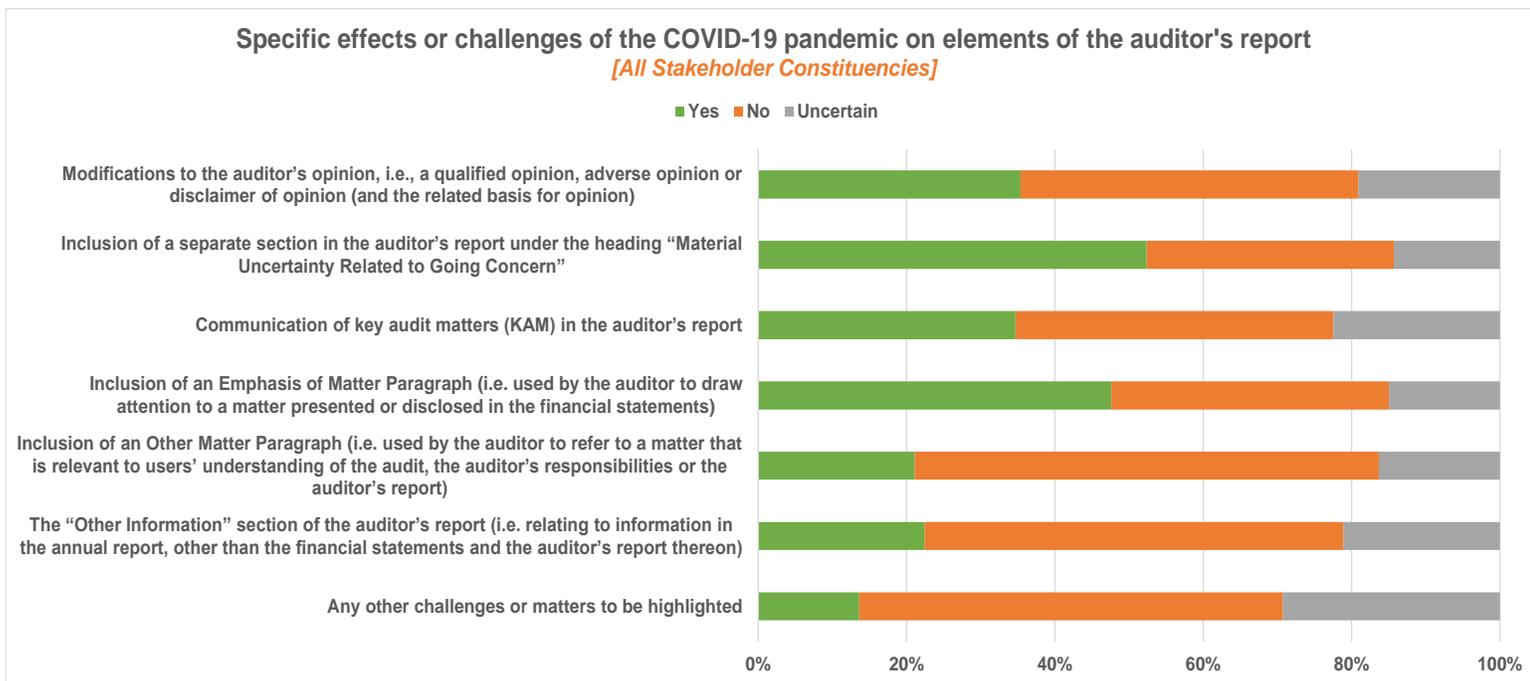
Auditor Reporting Post-Implementation Review (PIR) —Feedback and Issues
IAASB Main Agenda (February 2021)

No.	Jurisdiction	Number of Respondents
28.	Germany	1
29.	Ireland	1
30.	Italy	1
31.	Latvia	1
32.	Lithuania	1
33.	Netherlands	2
34.	Poland	3
35.	Portugal	1
36.	Serbia	2
37.	Spain	1
38.	Switzerland	1
39.	United Kingdom	4
North America		Total: 7
40.	Canada	7
South America		Total: 11
41.	Argentina	1
42.	Brazil	4
43.	Chile	1
44.	Colombia	1
45.	El Salvador	1
46.	Guyana	1
47.	Jamaica	1
48.	Panama	1
Multiple		Total: 8

Appendix 2

Impact of COVID-19 on Certain Identified Elements of the Auditor’s Report

1. The COVID-19 pandemic has had wide ranging impacts for society and business and the unpredictable circumstances in this environment have created pressures and challenges for entities when preparing their financial statements, as well as for auditors in obtaining sufficient appropriate audit evidence and when considering the impact on the auditor’s report.³¹ These difficult conditions have created an opportunity to learn from stakeholders on the specific effects or challenges in relation to the auditor’s report.
2. The chart below provides information on the challenges or specific effects on certain elements of the auditor’s report as a result of the COVID-19 pandemic, indicated by respondents to the stakeholder survey from all stakeholder constituencies.



3. Respondents provided the following comments:
 - (a) Respondents noted that it may be too early to provide a comprehensive depiction of the effects of the COVID-19 pandemic, whose full effects are yet to be seen with respect to modifications to the auditor’s opinion, considering that in many jurisdictions various industry regulators issued extensions on financial reporting deadlines.
 - (b) In certain cases scope limitations were noted as a result of the inability to obtain sufficient appropriate audit evidence (e.g., with respect to inventory counts and valuations) and also some

³¹ In May 2020, the IAASB issued a Staff Audit Practice Alert, [Auditor Reporting in the Current Evolving Environment due to COVID-19](#).

delays were observed related to the timing of completion of the audits and release of the auditor's reports.

- (c) The COVID-19 pandemic has caused higher audit risk in general, which requires specific responses from auditors and that this is a pervasive matter for many industries and specific audit areas, but especially significant with respect to going concern. Respondents commented that the effects of the heightened risk caused more persuasive audit evidence being sought in relation to management's assessment of the entity's ability to continue as a going concern and related disclosures, more substantial and lengthier going concern disclosures, and an increase in the number of 'Material Uncertainty Related to Going Concern' paragraphs.
- (d) With respect to KAM, respondents observed that KAM reporting has generally become longer as auditors detail the nature and extent of evidence needed to adequately respond to the increased level of uncertainty and that there has been an increase of the number of KAM reported in auditor's reports. There has also been an increase in the number of going concern "close call" KAM, as well as KAM related to impairment of assets and KAM dealing with events subsequent to balance sheet date.
- (e) Often, an Emphasis of Matter paragraph was used to reference to subsequent events related to the COVID-19 pandemic, uncertainties with respect to asset and liability valuations and in some cases jurisdictional regulators mandated a compulsory Emphasis of Matter paragraph with respect to the overall uncertainty caused by the COVID-19 pandemic.
- (f) Respondents provided feedback that there are wide ranging views and approaches in practice on the use of KAM, 'Material Uncertainty Related to Going Concern' and Emphasis of Mater for the same issues in different entities, which is causing inconsistencies and confusion for users. Respondents also suggested that a possible area to be reconsidered could be either allowing inclusion of a KAM on a matter covered in a 'Material Uncertainty Related to Going Concern' or extending the detail provided in the 'Material Uncertainty Related to Going Concern' to allow more flexibility to "tell a fuller story". Also refer to discussions relating to the same theme in **Sections IV and V** of this issues paper.
- (g) Respondents highlighted that additional matters are expected to arise in the post COVID-19 environment, whose effects are yet to be determined but that it can be expected that frequent communication between the auditor and management will be required.