

# Auditor Reporting Post-Implementation Review

Dan Montgomery  
Working Group Chair

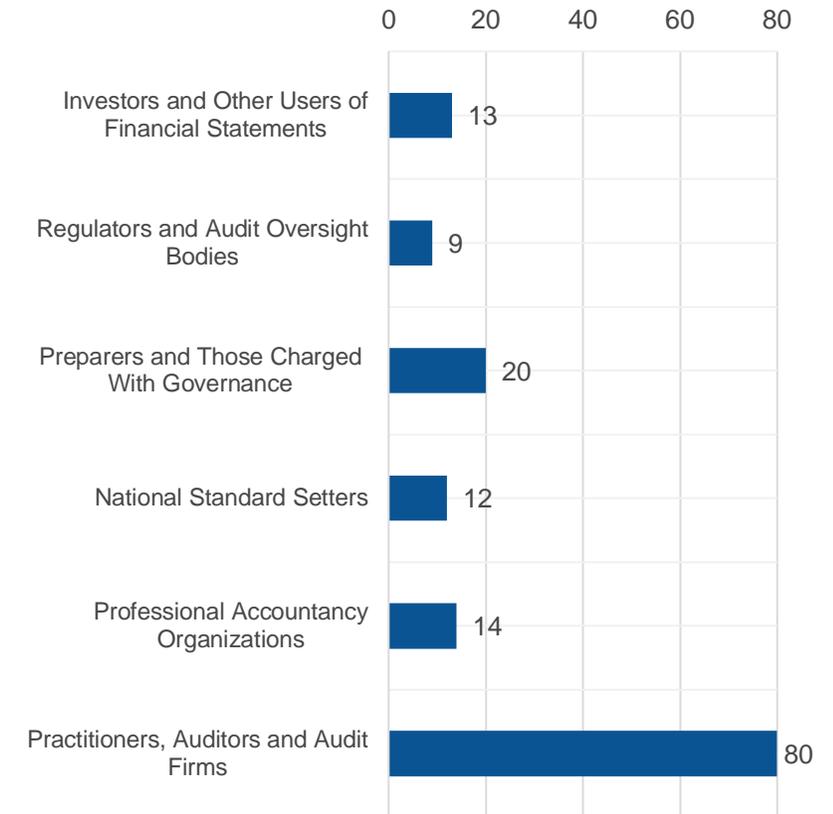
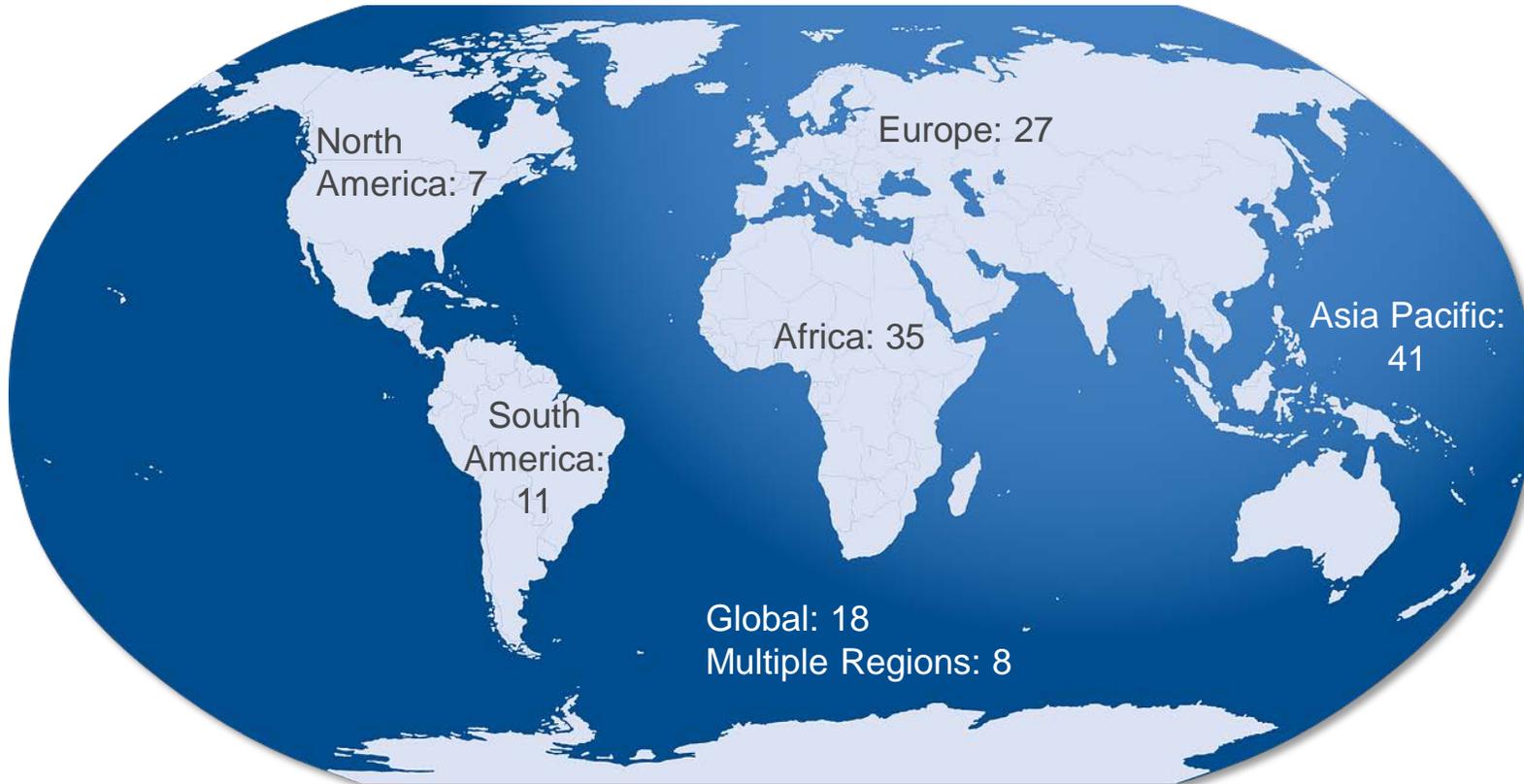
February 11, 2021

# PIR Information-Gathering Activities

- Review of academic research and other literature
- Virtual roundtable with various stakeholder groups
- PIR stakeholder survey
- Other information-gathering activities



# Stakeholder Survey Responses (148)



# Support for Auditor Reporting Standards



Broad support for enhancements



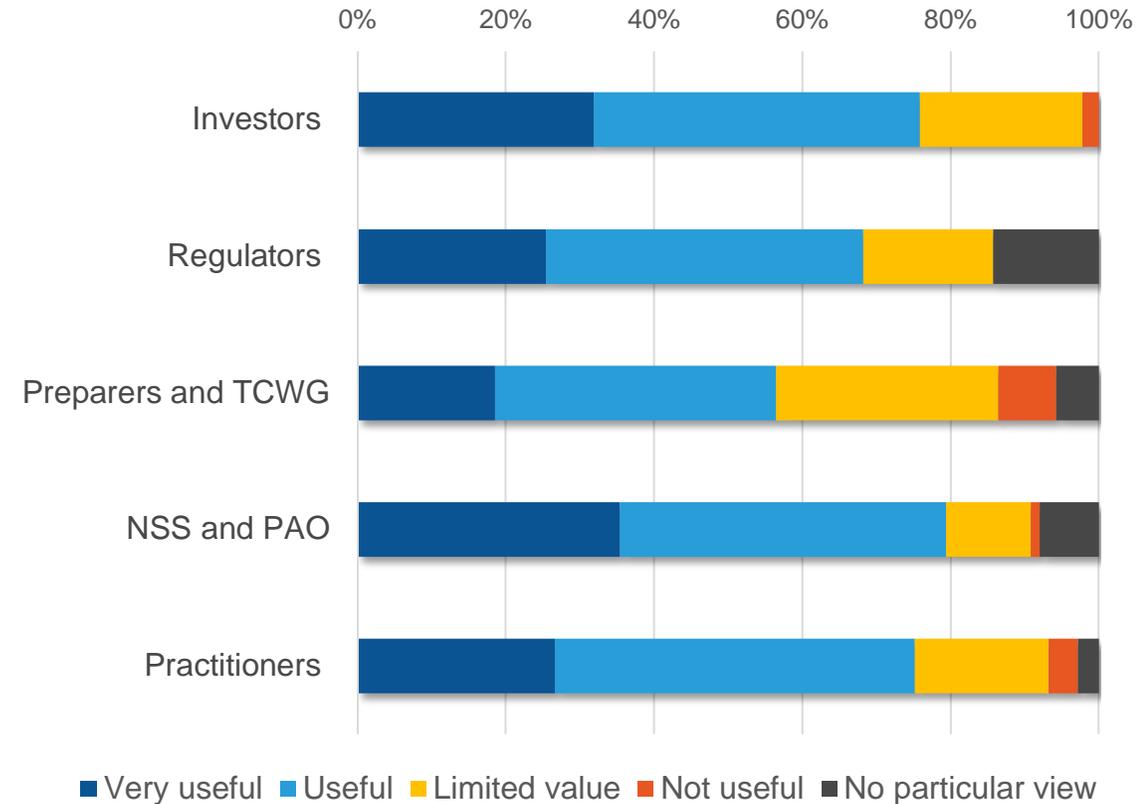
Appear to have achieved intended purpose



Broad support for new elements introduced

Communication of KAM  
Opinion section placed first  
Separate section for "MURGC"

Average for All New Elements



# Support for Auditor Reporting Standards

## *Some Overarching Considerations Highlighted*

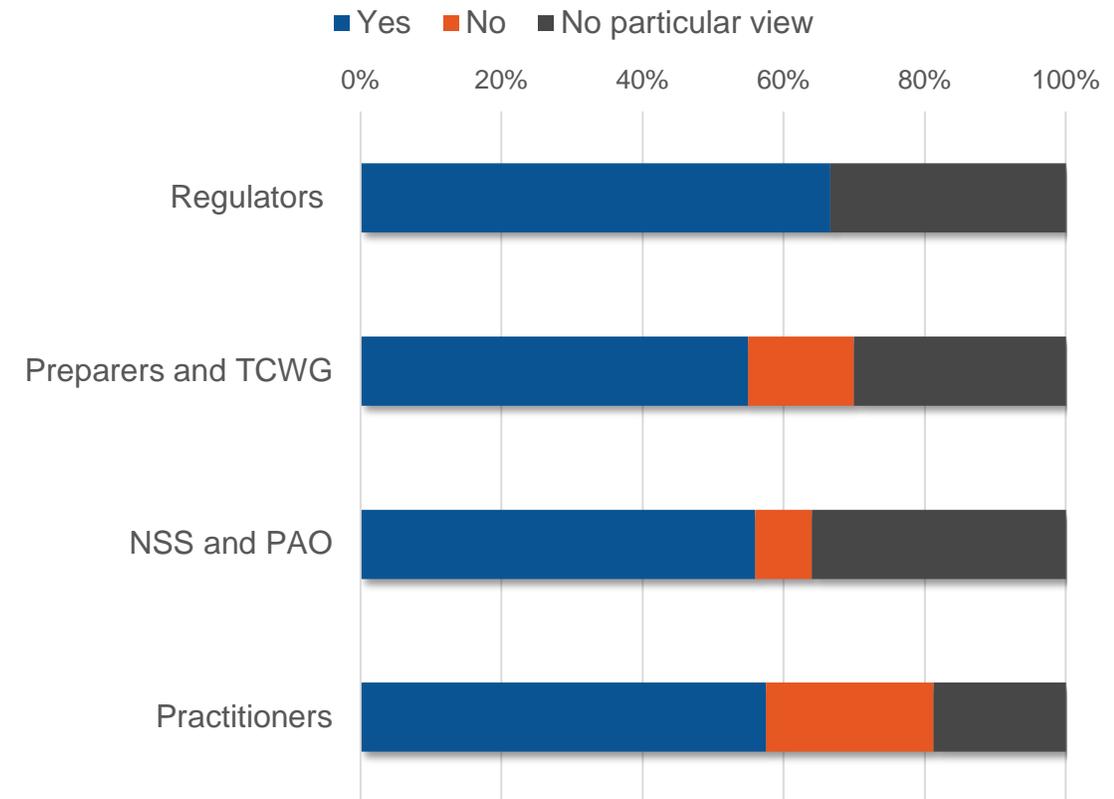
- Optimum time for changes
- Targeted improvements instead of lengthy projects
- Variation in implementation across jurisdictions – timing re implementation experiences
- Alignment and consistency between reporting regimes
- Support for informative reporting and engagement by all stakeholders



# Key Audit Matters (KAM)

- Benefits
  - Enhanced communication
  - Increased transparency
  - Improved disclosures
- Mixed views on user confidence and audit quality
- Challenges
  - Describing KAM (boilerplate language)
  - Evolving KAM from year-to-year

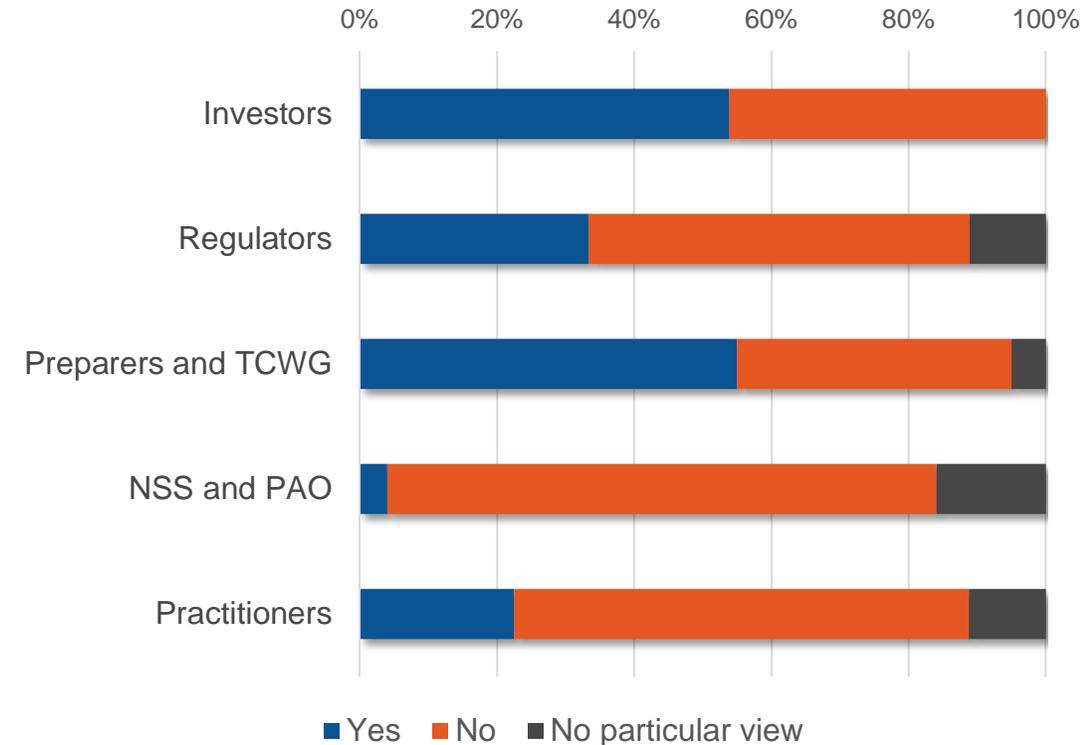
## Has KAM Enhanced the Quality of Audits



# Key Audit Matters (KAM)

- Description of the outcome of the audit procedures
  - Useful to understand issues
  - Only a few firms/auditors describe outcomes
- KAM for entities other than listed entities
  - Support for mandatory KAM for PIEs (jurisdictional decision)
  - Less support for mandatory KAM for other entities

Mandatory KAM for Other Entities



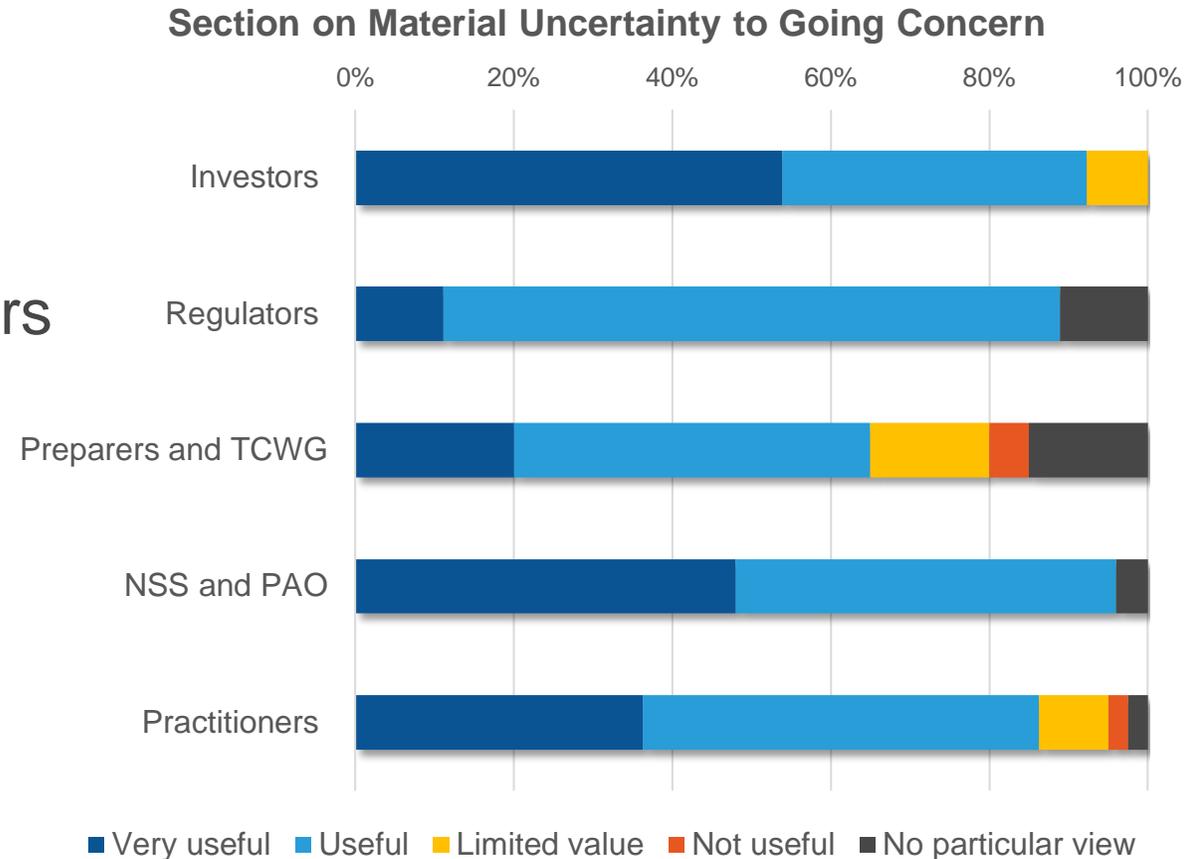
# Key Audit Matters (KAM)

## 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.

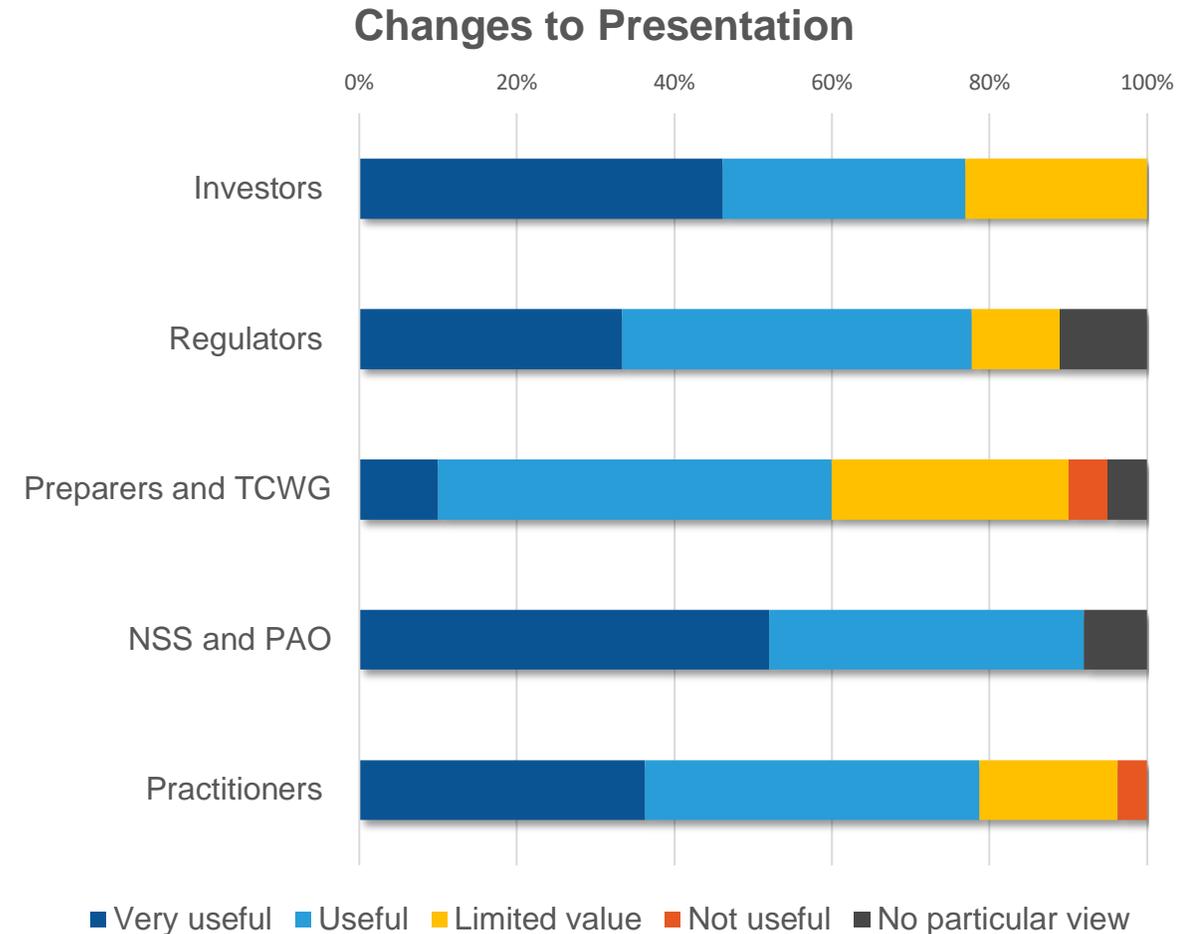
# Going Concern

- ‘Material Uncertainty Related to Going Concern’ beneficial (especially during COVID-19)
  - Confusion about how ‘MURGC’ differs from Emphasis of Matter
  - Make ‘MURGC’ similar to KAM
- Mixed views on additional information related to management’s going concern assessment



# Other Elements of the AR Standards

- Position of opinion
  - Most relevant information first
  - Provides important context
- Independence statement – evolving trends re: non-audit services
- Concern that certain information makes report too long
- Challenges with disclosing name of engagement partner in some jurisdictions



# Going Concern and Other Elements of AR

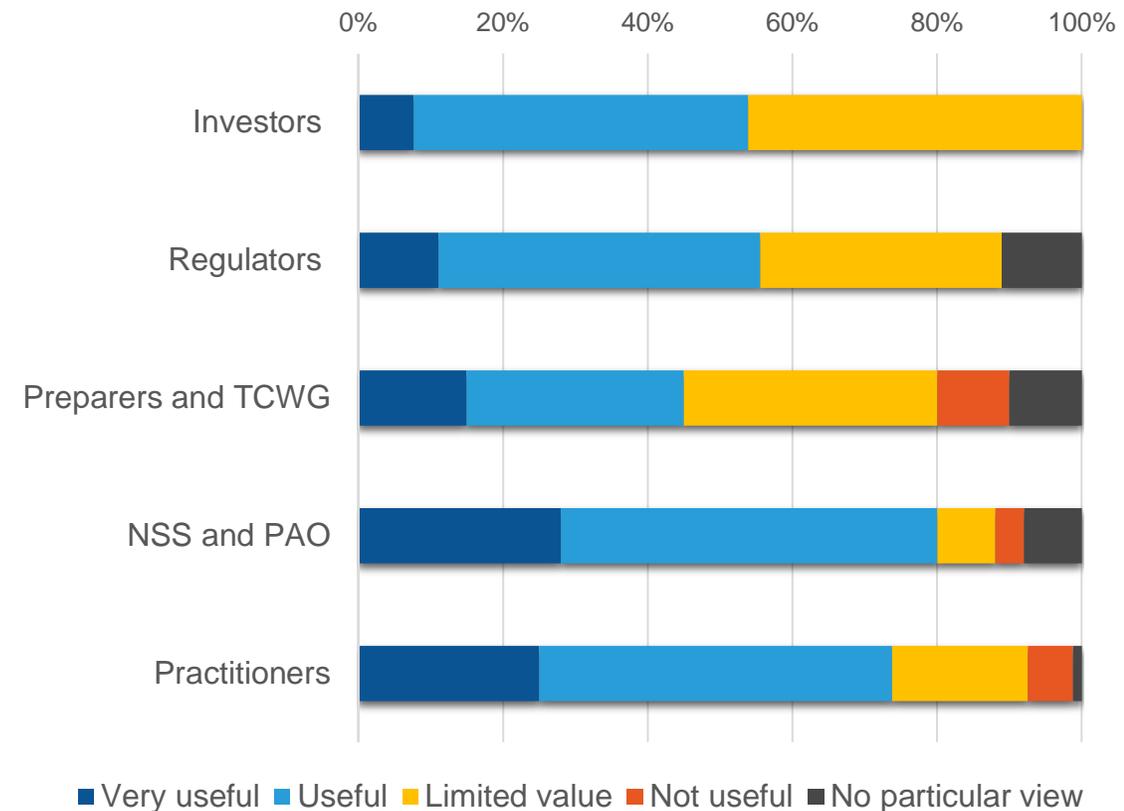
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# Other Information

- ‘Other Information’ not regarded as useful for some
- Clear that ‘Other Information’ not part of audit opinion for most
- Implementation issues
  - Difficulty identifying ‘other information’
  - Inconsistencies when ‘other information’ not available at the date of auditor’s report

## Section on Other Information



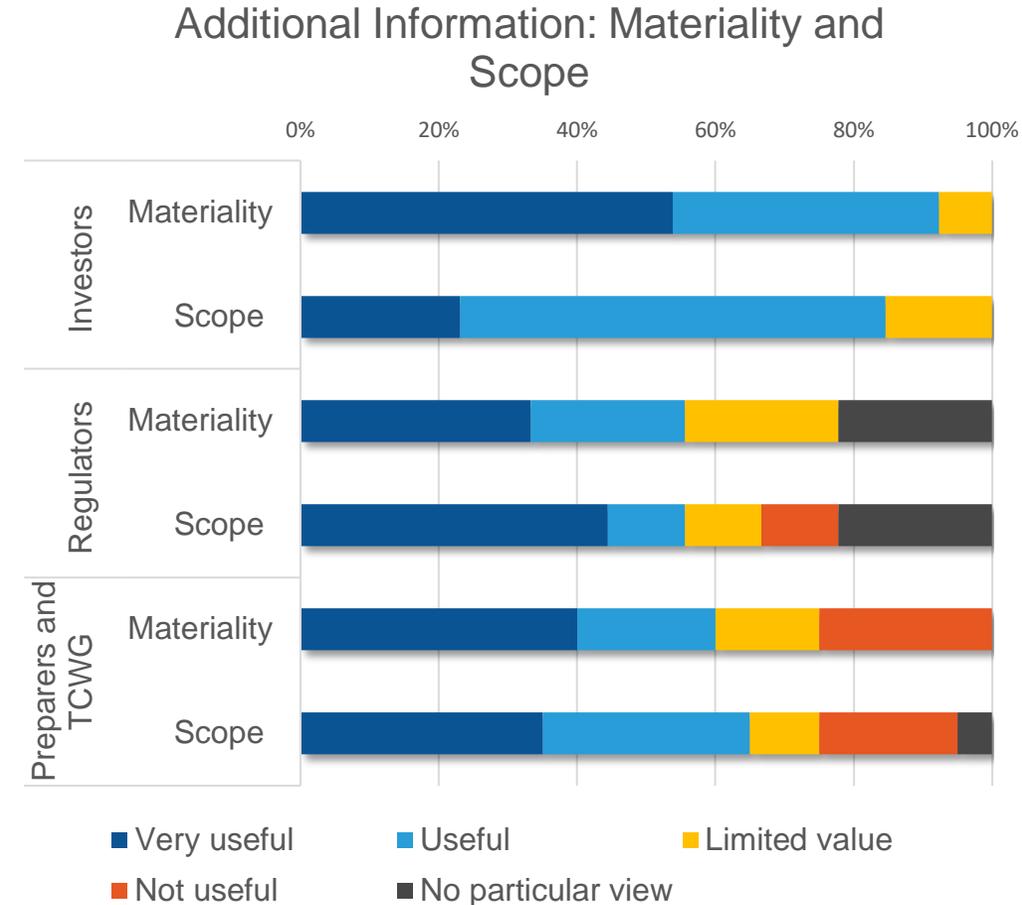
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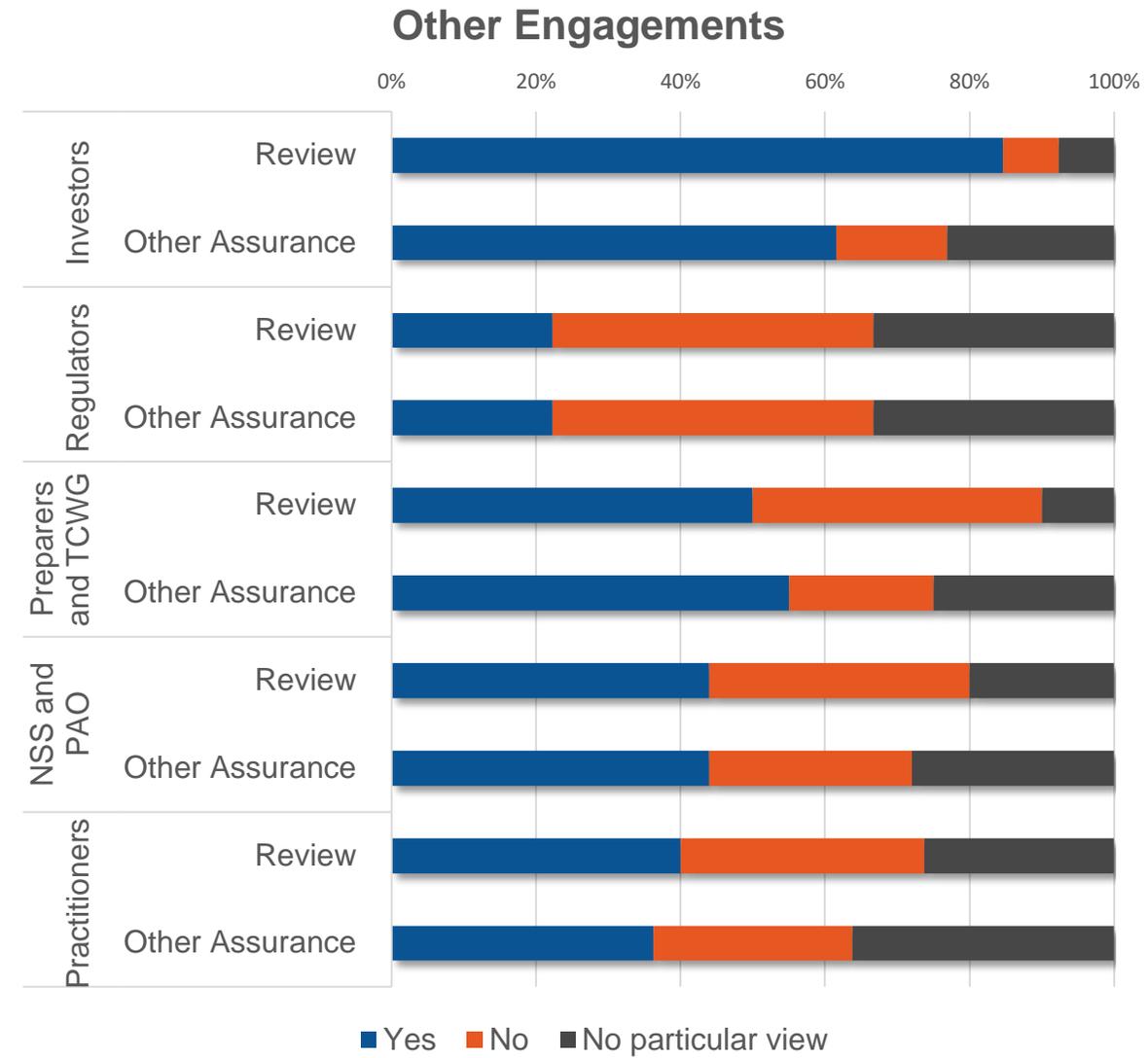
# Information Beyond What is Required

- Materiality and scope of audit
  - Investors found useful
  - NSS, PAOs and auditors question value
- Other aspects of audit
  - Some support for more on fraud procedures given the ‘expectation gap’
  - Too soon to propose further changes
- Balance needed between making AR longer vs. more informative



# Other Engagements

- Concerns about KAM for other assurance engagements
  - Users may perceive greater assurance in limited assurance engagements
  - Cost outweighs benefits
  - Clear distinction between audit and other assurance engagements
- Support for including certain other elements in assurance reports



# Additional Information & Other Engagements

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2. Whether there are any other matters that the Working Group should consider.

# Way Forward

- Continue monitoring global developments
- Further actions to be taken by ARIWG (post February discussion)
  - More information-gathering and analysis of survey results
  - Implications of feedback from ‘Fraud and Going Concern’ DP
  - Implication of feedback from IESBA PIE project
  - Implications from results of joint IAASB-NZAuASB project
- Coordination with other workstreams
- Feedback statement Q2 2021

# Way Forward

The Board is asked for its views on

3. The way forward as outlined in Section X of this Agenda Item.



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