
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

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Friday, 8 November 2013
Afternoon Session

IAASB's Auditor Reporting Project

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IAASB's Auditor Reporting Project

UNCTAD-ISAR

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Exposure Draft on Auditor's Report: major changes proposed in auditor's report

- Opinion preferably first
- New sections:
 - on *Key Audit Matters* (required for listed entities only)
 - on *Going Concern*
 - to address *Other Information* when such information is presented with the audited financial statements
- *Explicit statement that the auditor is independent* with reference to the relevant ethical requirements
- Disclosure of the *name of the engagement partner* responsible for the audit (required for listed entities only)
- Clarification of respective responsibilities for preparing the financial statements and conducting the audit

Key Audit Matters (KAM)

- Communicate those matters that, in the auditor's judgment, were of most significance in the audit of the financial statements
- Selected from matters communicated with those charged with governance (e.g., Audit Committees)
- Selecting entity-specific KAM is a matter of professional judgment.
 - Proposed standard includes considerations for areas of "significant auditor attention" and robust application material to guide the auditor's determination of KAM to be communicated in the auditor's report
- Description on why the matter was determined to be a KAM
 - Nature and extent of the description of an individual KAM is a matter of professional judgment, including whether it is necessary to describe certain audit procedures or findings (i.e., the effect on the audit). Application material to guide the auditor is included in proposed ISA
- Documentation required of the significant professional judgments made in determining the KAM

Going Concern (GC)

- New section in the auditor's report for all audits to include:
 - A statement regarding the appropriateness of management's use of the GC basis of accounting in preparing the entity's financial statements
 - A statement whether the auditor has identified a material uncertainty (MU) that may cast significant doubt on the entity's ability to continue as a GC.
 - If so, then:
 - Separate sub-heading added to draw attention to the disclosure of the MU
 - Current EOM paragraph replaced by this statement in the GC section
- Active liaison with the IASB and US FASB to facilitate holistic approach to addressing going concern in financial reporting

Expected Benefits

- Changes to auditor reporting may
 - Have positive benefits to audit quality or users' perception of it
 - Increase the confidence that users have in the audit and the financial statements
- Enhanced communicative value of the auditor's report
- Increased attention by management and those charged with governance to disclosures in the financial statements
- Renewed focus of the auditor on matters to be reported
- Enhanced communications between the auditor and those charged with governance

Your feedback needed

ED open for comment through **November 22, 2013**

- <http://www.ifac.org/publications-resources/reporting-audited-financial-statements-proposed-new-and-revised-international>

Non-listed entities

- <http://www.ifac.org/news-events/2013-08/iaasb-proposals-enhancing-auditor-s-report-potential-impact-audits-unlisted-enti>.



www.iaasb.org
