



# The New Auditor's Report: Relevance for the Future

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## Continued *relevance* of audit

Improve *audit quality* and professional skepticism

*Enhance preparer focus* on key financial statement risk areas and disclosures



Enhance *communicative value* to users

Stimulate more robust *auditor interactions and user engagement*

*Improve users' understanding* of what an audit is and what the auditor does



## Overarching Standard for Auditor Reporting – ISA 700 (Revised)

**ISA 701**  
**(\*NEW\*)**  
**Key Audit**  
**Matters**

**ISA 705**  
**(Revised)**  
**Modifications**  
**to auditor's**  
**opinions**

**ISA 706**  
**(Revised)**  
**EOM and OM**  
**paragraphs**

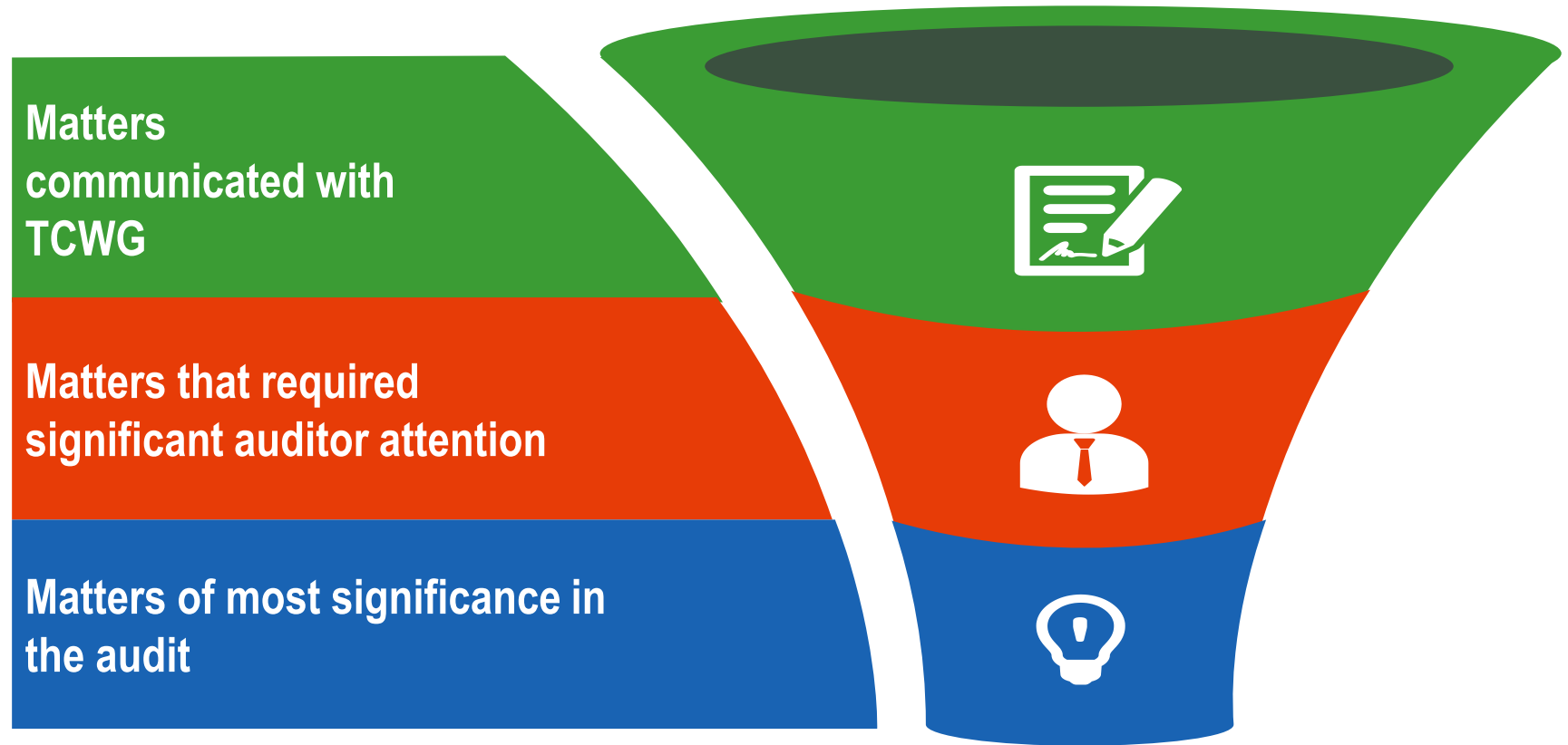
**ISA 570**  
**(Revised)**  
**Enhanced**  
**auditor**  
**reporting**  
**related to going**  
**concern**

**ISA 720**  
**(Revised)**  
**New auditor**  
**reporting on**  
**other**  
**Information**

Revisions to ISA 260 addressing matters communicated with TCWG

Related conforming amendments to ISAs 210, 220, 230, 510, 540, 600, 710







- What we are hearing about implementation:
  - Write with the audience in mind
  - Start early. Identify the potential key audit matters upfront and engage with management and TCWG
  - Bring management and TCWG with you on the journey
  - Other key observations:
    - Ensure KAM align to disclosure in financial statements or audit committee report
    - Avoid use of boilerplate language
    - Concerns with use of technical language - difficult for users who are non-auditors to understand
    - Focus on the quality of the KAM (what is the usefulness to the user?)



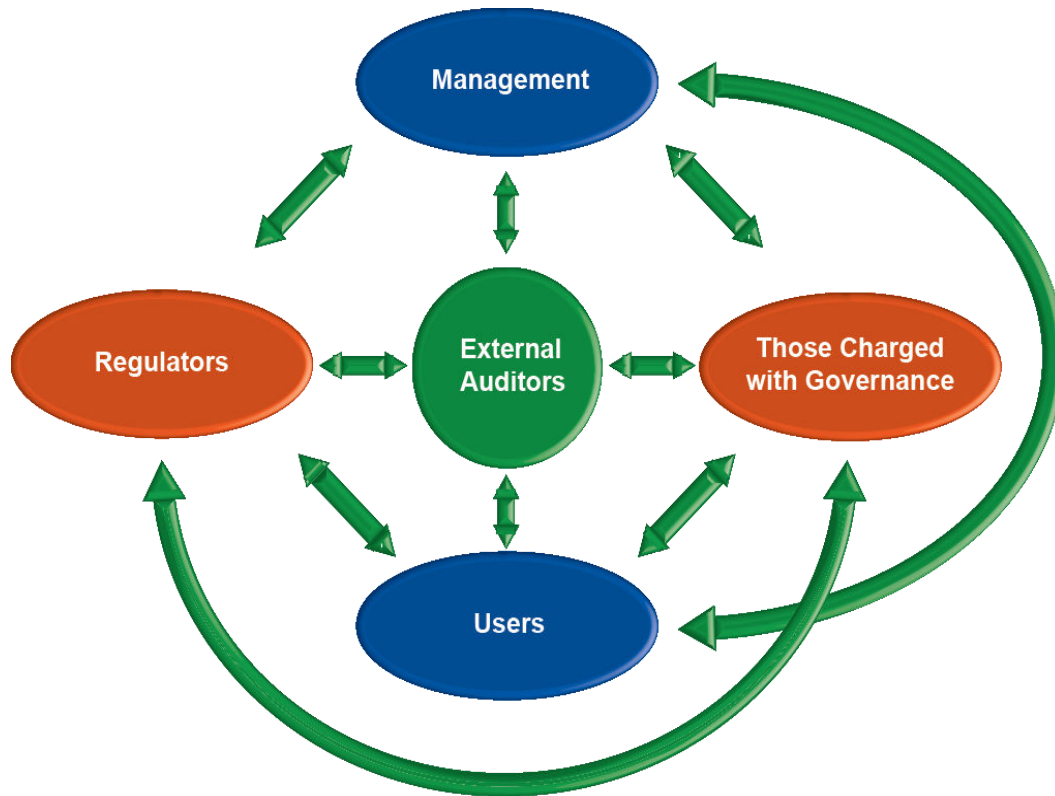
- Most common risks (percentage of total sample analyzed by the FRC that reported these risks):
  - Impairment of goodwill (43%)
  - Taxation (43%)
  - Accounting for revenue (42%)
  - Other asset impairments (29%)
- Other risks described in the auditor's report
  - Provisions (approximately 28%)
  - Acquisitions and disposals (approximately 23%)
  - Pensions (approximately 20%)

Source: Financial Reporting Council (FRC) *Extended auditor's reports: A further review of experience*



- **First year review of the enhanced auditor’s report (EAR) in Singapore (October 2017)**
- Key findings by ACCA, ACRA, ISCA and NTU together. Summary:
  - EARs have brought about insightful disclosures by auditors, particularly in the form of key audit matters (KAMs). They have also driven positive behavioural changes among various stakeholders in our financial reporting eco-system.
  - Audit committees had more robust deliberation over KAMs
  - Investors were using EARs to identify significant accounting and audit issues before reading the financial statements
  - Audit partners were spending more time engaging audit committees
  - Both audit committees and investors now have more confidence in audit quality.
  - Companies proactively enhanced their financial and non-financial disclosures in conjunction with the KAMs reported by the auditors.





- Primary responsibility for performing quality audits rests with auditors, but ...
- Each stakeholder plays an important role supporting high-quality financial reporting
- Audit quality is best achieved in an environment where there is support and challenge from other participants
- Increased interaction is promoted in the *Framework for Audit Quality*



## [www.iaasb.org/auditor-reporting](http://www.iaasb.org/auditor-reporting)

### IAASB Publications to Support Implementation:

- Auditor Reporting Fact Sheet and “At a Glance”
- Basis for Conclusions
- Publications on Going Concern and KAM, including 1-page overview on determining KAM
- Illustrative KAM examples
- Determining and Communicating KAM
- The New Auditor’s Report: A Comparison between the ISAs and the PCAOB Reproposal
- More Informative Auditor's Reports - What Audit Committees and Finance Executives Need to Know
- Questions and Answers
- Comparison to new PCAOB standard