

IAASB Consultation Paper

Enhancing the Value of Auditor Reporting: Exploring Options for
Change

response to consultation

4 October 2011

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 111104 SC0168

James Gunn
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York
10017 USA

4 October 2011

Dear James Gunn

IAASB Consultation Paper

Enhancing the Value of Auditor Reporting: Exploring Options for Change

CIPFA is pleased to present its comments on this Consultation Paper, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

Comments

CIPFA strongly welcomes this IAASB work in this difficult but important area. As the Paper notes, various initiatives to improve reporting have been pursued in the UK by the Auditing Practices Board and others.

In CIPFA's response to the FRC paper *Promoting Audit Quality* we agreed with their suggestion that audit reporting has become somewhat codified and standardised. We also agreed with much of the APB analysis in *The Auditor's Report: A Time for Change?* In particular we agreed with their assessment of the limitations of the current audit report, their observations on the length of the audit report, and that increased word count may not always aid understanding.

However, we also observed that the series of events giving rise to the current form of the audit report reflect the needs and expectations of a variety of stakeholders, and that in developing an improved report, care needs to be taken to ensure that the overall reporting package caters for their legitimate and reasonable needs and expectations, especially for those stakeholders who will not otherwise have a sufficient understanding of the nature of audit.

In the light of the above, while we agree with much of the analysis behind proposals to reorganise or clarify the standard report, we do not consider that this is likely to drive significant reduction of the expectation gap or information gap.

We do however consider that it would be worthwhile exploring development of an enhanced form of reporting linked to governance frameworks, in line with the UK FRC's consideration of reporting to, by and on audit committees in its January 2011 report *Effective Company Stewardship*. In contrast with the French model of 'enhancing' the standard audit report this might have advantages. Rather than reporting generally, auditor reporting to audit committees (or some other governance grouping) should be to a knowledgeable and engaged audience. Difficulties in understanding risk assessments or judgements could be addressed through meetings and dialogue. As the paper notes, the FRC proposals reflect jurisdiction specific frameworks and ways of working, and care would be needed to develop approaches which work internationally, and which transfer proportionately or are not required for audits of smaller less complex entities and audits of entities in other economic sectors.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org.uk, t:+44(0)20 7543 5794).

Yours sincerely

Paul Mason
Assistant Director
Professional Standards and Central Government
CIPFA
3 Robert Street
London WC2N 6RL
t: 020 7543 5691
e:paul.mason@cipfa.org.uk
www.cipfa.org.uk