

Analysis of comments

Date of the Auditor's Report

The ED addresses the date of the auditor's report in ISA 700.44 to .49. It requires the auditor to date the report as of the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. The ED provides the following guidance:

- the auditor must have completed the work necessary to support the opinion on the financial statements;
- the auditor may not have yet fulfilled all responsibilities related to the audit, for example, the auditor may not have had the opportunity to communicate audit matters of governance interest that arose from the audit.

The ED also requires the auditor not to date the report earlier than the date of approval of the financial statements.

The following respondents commented on the date of the auditor's report: ACAG; ACCA; APB; CICA; CNCC/OEC; DCCA; FAR; FEE; GT; ICAS; IDW; IRE; KPMG; LSCA; NIVRA; PAAB&SAICA; PwC; RNR.

A number of respondents asked for clarification on the relationship between the date of the auditor's report, obtaining sufficient appropriate audit evidence and approval of the financial statements. In particular, they wanted further guidance on:

- Meaning of "sufficient appropriate audit evidence to support the auditor's opinion";
- Appropriateness of dating the report before communicating audit matters of governance interest to those charged with governance;
- The need to clarify who must approve the financial statements for the auditor's purposes;
- The need to clarify how the date of approval of financial statements will be determined when there is no formal approval process; and
- Impact of national laws and regulation on the date of an ISA report.

Respondents also asked for clarification of how the auditor's other reporting responsibilities affect the date of the report and whether it is necessary to have two dates.

Lastly, they asked for clarification as to whether the actual signing of the report (by virtue of paragraph 700.48 that requires the report to be signed) has to take place on the date of the report.

Material presented

This agenda paper presents the following:

- A summary of the comments raised by issue and task force recommendations on how the issue should be addressed; and
- A mark-up of the relevant paragraphs with the proposed wording changes.

Summary of comments raised by issue and task force recommendations

The need to clarify the relationship between the date of the report, obtaining sufficient and appropriate audit evidence and approval of the financial statements

MEANING OF “SUFFICIENT APPROPRIATE AUDIT EVIDENCE TO SUPPORT THE AUDITOR’S OPINION”

CICA, ICAS, PAAB, APB, HKSA amongst others, challenged whether the reference to “sufficient appropriate audit evidence” is appropriate without further guidance.

HKSA suggested it may be clearer if guidance and terminology were aligned with IAS 10.16 that deals with the date when financial statements are authorized for issue. GT, APB also suggested that ¶44 and 46 can be improved. GT suggested that combining ¶44 and 46 and moving guidance from 560.4(c) to 44/46 would help clarify the two conditions that must be met for dating the auditor’s report (i.e., approval of the financial statements and sufficient appropriate audit evidence) and how these conditions can be met. RR and LSCA had similar suggestions.

APPROPRIATENESS OF DATING THE REPORT BEFORE COMMUNICATING AUDIT MATTERS OF GOVERNANCE INTEREST TO THOSE CHARGED WITH GOVERNANCE.

LSCA, PAAC, KPMG, APB disagreed with the suggestion in ¶45 that the auditor can date the report without communicating matters to those charged with governance. APB noted that the audit is far from complete because the purpose of communicating such matters is to influence those charged with governance to assess whether the financial statements, as presented by management, should be approved or changes made.

THE NEED TO CLARIFY WHO MUST APPROVE THE FINANCIAL STATEMENTS FOR THE AUDITOR’S PURPOSES

IRE, NIVRA, FEE pointed out that in some jurisdictions (Belgium in particular) the law requires the auditor's report to be provided to shareholders before they approve the financial statements. The ISA therefore needs to clarify whose approval is required in order for the audit to be considered complete. CICA had pointed out inconsistencies with ¶540.4 and with references as to who should approve the financial statements.

THE NEED TO CLARIFY HOW THE DATE OF APPROVAL OF FINANCIAL STATEMENTS WILL BE DETERMINED WHEN THERE IS NO FORMAL APPROVAL PROCESS

GT, CICA suggested enhancing guidance to clarify how the date may be determined when legal or regulatory requirements do not specify an approval process. They also suggested clarifying whether the auditor should document the date of approval, e.g., by obtaining the applicable minutes or a written representation from management.

IMPACT OF NATIONAL LAWS AND REGULATION ON THE DATE OF AN ISA REPORT

PwC and PAAB suggested the need to mention that the date will be affected by national laws and regulations. IDW went further and stated that “we agree that if law or regulation prescribes the completion date of the audit, then that date should be used. However, where this date is significantly

different from the date on which the auditor has obtained sufficient appropriate audit evidence to support the auditor's report, then readers ought to be informed in the scope paragraph of the auditor's report that this date is significantly different and that it is being used due to legal or regulatory requirements.

RR, on the other hand, found it difficult to understand how law or regulation could prescribe when the audit is considered to be completed. His view is that the date of completion is a matter of fact.

DISCUSSION

In considering the comments raised, the Task Force acknowledged that the ED is complicated by the fact that there are varying requirements in jurisdictions regarding approval of the financial statements and the date of the report. The Task Force considered how these varying requirements can be accommodated without compromising the auditor's responsibilities under ISAs. It concluded that this can be achieved if the ISA is not definitive about when the auditor should date the report and it instead explains the factors that impact the selection of the date the requirements under ISAs (i.e., the date cannot be earlier than the date of approval of the financial statements and the date on which sufficient appropriate audit evidence is obtained).

The Task Force concluded that it would be reasonable to take the same approach with respect to approval of the financial statements. The Task Force concluded that the ISA should explain why approval of financial statements is important and what is required for the auditor's purposes. The Task Force also agreed with respondents who suggested linking the guidance to the concept of "authorized for issue" in IFRS.

Lastly, the Task Force recognized the concern raised by respondents regarding communication of matters of governance interest. The Task Force believes that the principle espoused in the ED is valid, i.e., it is possible to date the report before having fulfilled all the responsibilities related to the audit provided all the work that is necessary to support the opinion has been carried out. However, the Task Force accepts that the example given in the ED did not tell the complete story because there are certain communications to those charged with governance that do need to occur before the audit report is signed. The Task Force concluded that the guidance in the ED should be revised to clarify this point.

Task Force Recommendation:

The Task Force recommends IAASB consider the following key principles that underlie the proposed changes to the ED:

- The auditor should date the report no earlier than the date of approval of the financial statements.
- "Date of approval of the financial statements" is the date on which those with primary responsibility for the entity and its financial aspects determine that a complete set of financial statements, including the related notes, has been prepared and accordingly authorizes such statements for issue.

- The auditor should date the report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements
- This involves deciding on when the work necessary to support the opinion on the financial statements has been completed, however, the auditor may not yet have fulfilled all responsibilities related to the audit. For example, the auditor may not yet have had the opportunity to communicate to those charged with governance matters arising from the audit that may be of interest to those charged with governance but that do not form part of the evidence the auditor requires to support the opinion on the financial statements. An example of such matters includes material weaknesses in the design or implementation of internal control which have come to the auditor's attention during the financial statement audit.
- "Date of the auditor's report" is the date selected by the auditor to date the report on the financial statements. This date is affected by numerous factors relating to completion of the financial statements by the entity, legislative requirements specifying when the financial statements need to be made publicly available and the availability of evidence. In some jurisdictions, law or regulation may prescribe when the auditor dates the report. Notwithstanding these factors, the auditor's report is not dated earlier than the date of approval of the financial statements. The auditor's report is also not dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements.

Relationship of date of completion of the audit to the date of completion of the other reporting responsibilities

FEE and ACCA questioned whether the two part auditor's report introduces the need to consider circumstances in which the report should include one date for the opinion on the financial statements and another date for the special reporting responsibilities. They note that in some countries national legal or regulatory requirements can only be achieved after the audit has been completed. As a result, the report relating to these requirements would have a different date.

Task Force Recommendation:

Still being considered by the Task Force.

Relationship between the date of the report and the signing of the report

Numerous respondents observed that the requirement for the report to be signed is not connected to the date of the report. ACAG stated that the ISA should clarify that the date of the report is the date on which the auditor physically signs the audit report. Consideration should also be given to

including a statement that the auditor should issue an audit report within a reasonable period of time after submission to the auditor of the completed financial report.

RR made reference to the fact that the signing of the report does not seem to be connected to the date of the report. RNR went further and discussed the need for the report to have 2 dates but for different reasons. He believes the ISA should distinguish between the date on which the auditor forms his/her opinion and the date on which the auditor has met all his responsibilities and authorizes the report for release. He believes that both dates are important and both dates should be disclosed because they carry with them different responsibilities.

Task Force Recommendation:

Still being considered by the Task Force.

Other comments raised

- FAR - ¶ 45 – is the reference to “reasonable” conclusions intentional – what is the qualifier intended to mean, why not just conclusions as in ¶ 4? – *Mark up reflects recommendation.*
- FAR, FEE, IRE - ¶560.4 Date of auditor's report – “considered to be” is not consistent with ¶700.45 and it is redundant. – *Mark up reflects recommendation.*
- DCCA – 560.14-18 deal with re-issuance of the auditor's report. This is not permitted in Denmark unless the problem relates to material misstatements or illegal matters. As a result, DCCA suggest that sections 14-18 specify that these sections only apply where national law does not require other actions or when the prescribed actions are not in conflict with national law. – *Not incorporated in mark up, beyond scope of ED.*
- IDW – 560.4(d) should be changed to the date the audited financial statements are issued. Further, suggest definition be changed to the following:

date that the signed auditor's report and the audited financial statements approved by management are made available to third parties, which may be those charged with governance. ~~which may be in many circumstance the date that they are~~ In some circumstances, the signed auditor's report and audited financial statements may be subsequently filed with a regulatory authority authorities before being made available to further third parties. –

Suggested inclusion of “signed” and “audited” not incorporated – considered redundant. Do not agree that those charged with governance are third parties.

Proposed wording changes

Extract from ISA 700

Date of the Report on the Financial Statements

44. The auditor should date the report on the financial statements no earlier than as of:

- (a) The date of approval of the financial statements; and**
- (b) The date on which the auditor has obtained sufficient appropriate audit evidence to support the auditor's opinion on the financial statements.**

45. ~~The date of the auditor's report indicates the date of the completion of the audit, which is the date on which the auditor has obtained sufficient appropriate audit evidence to be able to draw conclusions on which to base the auditor's opinion on the financial statements. The auditor may not yet have fulfilled all responsibilities related to the audit, for example, the auditor may not yet have had an opportunity to communicate the audit matters of governance interest that arose from the audit to those charged with governance. However, the auditor has completed the work necessary to support the auditor's opinion on the financial statements. It is important that the auditor's report include this date because it informs the reader that the auditor has considered the effect on the financial statements and on the report of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility up to the date of the auditor's report is addressed in ISA 560, "Subsequent Events".~~

45a. The date selected by the auditor as the date of the auditor's report is affected by numerous factors relating to completion of the financial statements by the entity, legislative requirements specifying when the financial statements need to be made publicly available and the availability of audit evidence. In some jurisdictions, law or regulation may prescribe when the auditor dates the report. Notwithstanding these factors, the auditor's report is not dated earlier than the date of approval of the financial statements. ~~audit is considered to be completed. In such circumstances, the auditor uses this date as the date of the auditor's report~~

45b. The date of approval of the financial statements is the date on which those with primary responsibility for the entity and its financial aspects determine that a complete set of financial statements, including the related notes, has been prepared and accordingly authorize such statements for issue. The financial statement approval process often depends on an entity's management structure, statutory requirements and procedures it follows in preparing and finalizing the financial statements. Some jurisdictions make a distinction between authorizing the financial statements for issue to shareholders and final approval of the financial statements by shareholders. For the purposes of providing evidence to the auditor, the date of approval of the financial statements is the date on which those with primary responsibility for the entity and its financial aspects conclude that the financial statements are complete and therefore authorize them for issuance to shareholders.

45c. An entity may, on the other hand, operate in an environment that does not have specific approval requirements that are relevant to it. This may be the case for some small entities. In

this case the entity's approval process may be less formal and a written representation letter as discussed in ISA 580, "Management Representations" can provide evidence of approval of the financial statements. Accordingly in these circumstances, the auditor's report is dated no earlier than the date of the written representation letter.

- 45d. The auditor's report is also not dated earlier than the date on which the auditor concludes that sufficient appropriate audit evidence to support the opinion on the financial statements has been obtained. This determination involves deciding on when the work necessary to support the opinion on the financial statements is completed, however, the auditor may not yet have fulfilled all responsibilities related to the audit. For example, the auditor may not yet have had the opportunity to communicate to those charged with governance matters arising from the audit that may be of interest to those charged with governance but that do not form part of the evidence the auditor requires to support the opinion on the financial statements. An example of such matters includes material weaknesses in the design or implementation of internal control which have come to the auditor's attention during the financial statement audit.
46. ~~Since the auditor's responsibility is to report on the financial statements as prepared and presented by management, the auditor should not date the report earlier than the date of approval of the financial statements.~~
47. ~~ISA 560, "Subsequent Events" defines the date of approval of the financial statements and how it relates to other important dates that influence the auditor's responsibilities regarding subsequent events.~~

Extract from ISA 560

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the auditor's responsibility regarding subsequent events. In this ISA, the term "subsequent events" is used to refer to both events occurring between the date of the financial statements and the date of the auditor's report, and facts discovered after the date of the auditor's report.
2. **The auditor should consider the effect of subsequent events on the financial statements and on the auditor's report.**
3. International Accounting Standard (IAS) 10, Events After the Balance Sheet Date, deals with the treatment in financial statements of events, both favorable and unfavorable, that occur between the date of the financial statements (referred to as the "balance sheet date" in the IAS) and the date when the financial statements are authorized for issue and identifies two types of events:
 - (a) those that provide ~~further~~ evidence of conditions that existed at the date of the financial statements; and
 - (b) those that are indicative of conditions that arose after the date of the financial statements.

Definitions

4. In this ISA, the following terms have the meanings attributed below:

- (a) “Date of the financial statements” is the date of the end of the latest period covered by the financial statements, which is normally the date of the most recent balance sheet in the financial statements subject to audit.
- (b) “Date of approval of the financial statements” is the date on which those the entity’s management with primary responsibility for the entity and its financial aspects determine or those charged with governance determines that a complete set of financial statements, including the related notes, has been prepared and accordingly authorizes approves such statements for issue. The financial statement approval process depends on an entity’s management structure, statutory requirements and procedures it follows in preparing and finalizing the financial statements. For example, an entity may operate in a jurisdiction that requires it to submit its financial statements to its shareholders for final approval after the financial statements have been approved authorized by those with primary responsibility for the entity and its financial aspects. The date of approval of the financial statements is the date when the financial statements are authorized for issue, as opposed to the date on which the financial statements are given final approval by the shareholders. In this case, the auditor can obtain evidence of management’s approval by obtaining a signed copy of the financial statements. An entity may, on the other hand, operate in a jurisdiction that does not have specific approval requirements that are relevant to it. This may be the case for some small entities. In this case the entity’s approval process may be less formal and a written representation letter as discussed in ISA 580, “Management Representations” can provide evidence of approval of the financial statements by management, who have primary responsibility for the entity and its financial aspects. The specific approval process followed by the entity depends on legal or regulatory requirements in the jurisdiction, or would be determined by the entity in the absence of such requirements. In some circumstances, the entity may be required to observe additional governance processes required by custom or regulation after the financial statements have been approved by management that may need to occur before the financial statements are considered “final.” For example, in some jurisdictions, the entity may be required to submit its financial statements to its shareholders for approval. However, this will usually occur at a date substantially later than the date management or those charged with governance approve the financial statements and does not affect the date which is considered to be the date of approval of the financial statements.
- (c) “Date of the auditor’s report” is the date selected by the auditor to date the report on the financial statements. This date is affected by numerous factors relating to completion of the financial statements by the entity, legislative requirements specifying when the financial statements need to be made publicly available and the availability of evidence. In some jurisdictions, law or regulation may prescribe when the auditor dates the report. Notwithstanding these factors, the auditor’s report is not dated earlier than the date of approval of the financial statements. The auditors report is also not dated earlier than the of the completion of the audit.¹ ~~This is considered to be the date on which the auditor has~~

¹ In some jurisdictions, law or regulation may prescribe when the audit is considered to be completed. In such circumstances, the auditor refers to ISA 700.52 to .56 for further guidance. uses this date as the date of the auditor’s report.

~~obtained sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's support the opinion on the financial statements. The auditor may not yet have fulfilled all responsibilities related to the audit, for example, the auditor may not yet have had an opportunity to communicate the audit matters of governance interest that arose from the audit to those charged with governance. However, the auditor has completed the work necessary to support the auditor's opinion on the financial statements. Frequently, this date will be the same as the "date of approval of the financial statements" but it could be later, such as when the auditor has not yet obtained all of the audit evidence necessary to support management's assertions regarding significant estimates, transactions or events at the time that management approves the financial statements.~~

- (d) "Date the financial statements are issued" is the date that the auditor's report and financial statements are made available to third parties, which may be, in many circumstances, the date that they are filed with a regulatory authority.

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