

Auditor Reporting – Building Blocks

I. Recommendations

- A flexible “building blocks” approach is needed to ensure that consistent, useful and relevant information is communicated in auditor’s reports across jurisdictions about audits of various types of entities.¹
- The minimum required reporting elements specified in extant ISA 700² when auditor reporting is otherwise specified by law or regulation should be retained as “*core auditor reporting requirements*.”³
- New *core auditor reporting requirements* to be required in a revised ISA 700 should be determined based on what is deemed appropriate for audits of *all* entities.
- A different presentation of the auditor’s report should be explored, moving the auditor’s opinion to the beginning of the auditor’s report, thereby making it more prominent, followed by those requirements that are tailored to the particular engagement, and then those that provide more standardized information about the audit process.
- Flexibility and relevance in auditor reporting should be facilitated by:
 - Allowing for “*conditional auditor reporting requirements*” that are achieved by the IAASB mandating overarching communication requirements to users:
 - (a) For some entities based on their type (i.e., listed or public interest entities (PIEs)) but allowing the national standard setters (NSS) the ability to further prescribe the level of detail needed about the specified auditor reporting element; or
 - (b) About specific matters (for example a general description of the auditor’s responsibility), but allowing flexibility in regard to whether some of those matters are included in the auditor’s report as a whole or incorporated by reference and maintained elsewhere (for example, a NSS website) provided that the messaging is consistent with the requirements of a revised ISA 700.
- The *Other Reporting Responsibilities* section that currently exists under extant ISA 700 should be retained in principle, as it allows for auditor reporting on other matters that are supplementary to the auditor’s responsibility under the ISAs to report on the financial statements.
- The impact on both the consistency and relevance of auditor reporting under a flexible building blocks framework will need to be further explored through discussions with users, regulators, and other stakeholders to evaluate the consequences of operationalizing revisions to the current auditor reporting framework (for example, reduced comparability of auditor’s reports across entities and jurisdictions).

¹ IAASB December 2011 meeting materials **Agenda Items 5-A**, *Project Proposal* paragraphs 22-27 and **Agenda Item 5-B**, paragraphs 73-76, further describe the building blocks approach. Both agenda papers are available at <http://www.ifac.org/auditing-assurance/meetings/los-angeles-california>.

² ISA 700, *Forming an Opinion and Reporting on Financial Statements*

³ ISA 700, paragraph 43

II. Adopting a Building Blocks Approach – A Response to Calls for Both Consistency and Relevance

1. Investors and other users of audited financial statements have indicated that consistency is an important feature in auditor reporting. ISA 700 was developed recognizing the desire for consistent and comparable auditor reports. It notes that consistency in auditor's reports, when the audit has been conducted in accordance with ISAs, makes them readily identifiable as audits that have been conducted in accordance with globally recognized auditing standards. Such consistency facilitates the user's understanding of the auditor's reports and helps to identify unusual circumstances when they occur.⁴
2. Many respondents to the IAASB's May 2011 Consultation Paper (CP), *Enhancing the Value of Auditor Reporting: Exploring Options for Change*, expressed a need for auditor's reports that allow for comparison of listed and non-listed entities, as well as entities of all sizes in all industries and in various jurisdictions, when making investment decisions. This point has also been highlighted during previous discussions of the IAASB Consultative Advisory Group (CAG).
3. On the other hand, there was very strong support for a revised auditor's report that includes tailored and engagement specific information. At the same time, further discussions with NSS have indicated that ISA 700 has not been adopted in certain jurisdictions, or has been modified, due to the need to provide for national circumstances (such as a corporate governance regime) and regulatory requirements (for example, reporting on other information), suggesting a further lack of consistency across jurisdictions. This is supported by the views expressed by respondents to the IAASB's CP who indicated that consistency does not currently exist under extant ISA 700, and that there is a lack of commonality in what is understood by the term consistency among users of audited financial statements.
4. The proposed building blocks reporting framework takes into account the principles of consistency, relevance, and flexibility. For example:
 - Consistency is facilitated through the use of "core reporting requirements," and
 - Relevance and flexibility through the use of "conditional reporting requirements" and retaining, the use of ORR in principle to accommodate additional legal and regulatory reporting requirements in local jurisdictions.

The auditor reporting requirements are further elaborated at Section III of this paper, *Elements of Auditor Reporting, Including New Placement of Opinion*.

5. The building blocks framework is intended to be proportional and scalable in its application – and as such accommodate differences in the information needs that may exist between users of audited financial statements of small- and medium-sized entities (SMEs) and those of listed entities or PIEs.
6. A user respondent⁵ to the CP suggested "the IAASB should facilitate enhanced reporting of various approaches and not form a prescriptive view at this stage as to what is best practice." The Task Force supports this view and embraces the premise of the building blocks approach as set forth in the auditor reporting project proposal. The building blocks approach is sufficiently flexible to allow for

⁴ See ISA 700, paragraph 4.

⁵ ICGN

responses to the varied recommendations received on consultation, and the existing and emerging developments in various jurisdictions aimed at accommodating and enhancing auditor reporting.

7. Concerns were expressed on consultation that it would be unhelpful for the IAASB, U.S. Public Company Accounting Oversight Board (PCAOB), European Commission (EC), and U.K. Financial Reporting Council (FRC) to move in different directions in relation to auditor reporting. While the Task Force's work in the various areas – Insights, Going Concern/Other Information and Clarifications – serve to help to address common auditor reporting issues, the building blocks approach acknowledges that differences in auditor reporting may continue to exist in local jurisdictions.
8. Accordingly in further promoting and enhancing the principles of consistency, relevance and flexibility in revising an international standard under the building blocks approach, the IAASB would attempt to accommodate within a revised auditor reporting framework the necessary differences that exist in these jurisdictions. In so doing, the building blocks approach would allow for the information needs of users to be addressed in a manner that could be tailored to different reporting regimes and facilitate the possibility of having reporting requirements that apply, for example where law or regulation requires:
 - Information about the audit to be communicated through means other than the auditor's report (for instance, through expanded reports of those charged with governance (TCWG)).
 - An expanded use of Emphasis of Matter (EOM) paragraphs for the audits of listed entities or PIEs.
 - A justification of assessments model that requires explanation of audit procedures applied to address certain risks.
 - Auditor reporting on other matters, such as providing an opinion on the effectiveness of internal control over financial reporting.

III. Elements of Auditor Reporting, Including New Placement of Opinion

9. In light of the Task Force's recognition of the need to be innovative and responsive to users' demands for change, it recommends that the opinion paragraph be made more prominent and placed at the beginning of the report, as reflected in the master checklist in Appendix 1 to this paper. The Task Force also determined it necessary to preserve:
 - The minimum required elements of ISA 700 that are necessary to refer to the ISAs in the auditor's opinion (for example, when law or other regulation prescribes the format or wording of the auditor's report);⁶ and
 - Having a discrete ORR section in the auditor's report as further described in paragraph 23 below.

Determination of Core Auditor Reporting Requirements

10. The master checklist in Appendix 1 to this paper illustrates the Task Force's discussions and recommendations as to the requisite reporting requirements of a revised ISA 700 auditor's report and how they should be mandated and positioned.

⁶ ISA 700, paragraph 43

11. In developing the core auditor reporting requirements within the master checklist illustrated at Appendix 1, the Task Force considered the following:
 - Current minimum required reporting elements that are necessary to refer to the ISAs in the auditor's opinion⁷ (see Appendix 2);
 - Additional auditor reporting responsibilities under extant ISA 700 (see Appendix 3);⁸
 - Current differences in auditor reporting based on the Building Blocks Subcommittee's review of a sample of illustrative auditors' reports from different jurisdictions (see Appendix 4); and
 - Recommendations from the Insights, Going Concern/Other Information and Clarifications Subcommittees.
12. The Task Force noted the view of SME representatives on Building Blocks Subcommittee that determining auditor reporting requirements on the basis of entity-type or size, for example by taking into account the needs of SMEs first, would go against the notion of an "audit is an audit," and may not set the right bar for auditor reporting. Thus, core auditor reporting requirements were determined, taking into account the needs of listed entities as a way of first raising the bar for auditor reporting for all entities. With the right baseline for auditor reporting determined, the specific needs of the SME user community and PIEs would be further considered. Such an approach would help minimize a perception among users that compare SME auditor's reports to those of listed entities that less information in auditor's reports of SMEs meant a less robust audit.
13. As a result, the Task Force determined that applying the building blocks approach would foster consistency in global auditor reporting by retaining a minimum core set of auditor reporting requirements that would be required for audits of all entities in all jurisdictions. Accordingly, the revised ISA 700 auditor's report would include the following core reporting requirements as illustrated in Appendix 1 to this paper, which would be required for *all* entities:

Current Required Core Auditor Reporting Requirements

- All the minimum elements that are currently required under extant ISA 700 and subject to revised language recommended by the Clarifications Subcommittee. See **Agenda Item 4-D** for the revised illustrative language with respect to the minimum elements currently required under extant ISA 700 (e.g., management's responsibilities and auditor's responsibilities).

New Required Core Auditor Reporting Requirements

- A new section that describes the auditor's responsibilities and a conclusion with respect to going concern, based on extant ISA 570⁹ and subject to the specific wording recommended by the Going Concern/Other Information Subcommittee. See **Agenda Item 4-B** for illustrative language.

⁷ ISA 700, paragraph 43

⁸ The illustrative reports in ISA 700 include both the minimum elements when the wording of the auditor's report is prescribed by law or regulation, and other required sections and wording within ISA 700.

⁹ ISA 570, *Going Concern*

- A statement about compliance with ethical responsibilities including auditor's independence, subject to conclusions reached by the Clarifications Subcommittee. See **Agenda Item 4-D** for such illustrative language.
- Identification of the engagement partner(s). See **Agenda Item 4-D** for further discussion.

Conditional Auditor Reporting Requirements

14. To increase the relevance of auditor reporting, the Task Force proposes that additional information in the auditor's report would be provided to users through the use of *conditional auditor reporting requirements*. This term is used two ways within the building blocks approach: (i) to refer to requirements that the IAASB may determine are not necessary for all entities, but should be required for listed entities or PIEs; and (ii) to acknowledge that the wording of core minimum auditor reporting requirements or IAASB conditional auditor reporting requirements may be prescribed (or best addressed) by national law or regulation (or requirements of NSS).

IAASB-Specified Conditional Requirements for Listed Entities and/or PIEs

15. The auditor reporting matters that would be addressed by conditional auditor reporting requirements include:
 - Auditor commentary on specific matters, subject to specific criteria and illustrative language recommended by the Insights Subcommittee. See **Agenda Item 4-A** for a description of proposed criteria and illustrative language.
 - Further commentary about going concern beyond the description of the auditor's responsibilities and conclusion proposed to be included as a core auditor reporting element (explained in paragraph 13 and further in **Agenda Item 4-B**).
 - A description of the auditor's responsibilities with respect to other information based on extant ISA 720¹⁰ and that provides a conclusion thereon. See **Agenda Item 4-C** for illustrative language.

On an initial basis, the Task Force does not believe these requirements should be mandated for all entities, in part due to the strong responses on consultation for changes in auditor reporting not to unduly burden SMEs and their auditors. However, recognizing the calls for consistency in auditor reporting, as well as the specific needs of SMEs noted in paragraphs 5 and 12 above, the IAASB will need to consider and consult on whether this conclusion is appropriate. In revising ISA 700, the IAASB may also consider providing further guidance for reporting on audits of SMEs.

Consideration of PIEs

16. As part of its deliberations, on an initial basis the Task Force also considered the needs of PIEs more broadly and noted various descriptions/definitions for PIEs that include:
 - All listed entities, and any entity that is (i) defined by regulation or legislation as a public interest entity or (ii) for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed

¹⁰ ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.¹¹

- Those entities which are of significant public interest because their business, their size, their number of employees or their corporate status is such that they have a wide range of stakeholders.¹²
 - Banks, other financial undertakings and listed companies in general as defined in the Statutory Audit Directive 2006/43/EC. As the financial sector evolves, new categories of financial institutions have been created under EU law and thus the definition of PIEs was amended by the proposal for a Directive amending Directive 2006/43/EC to also encompass investment firms, payment institutions, undertakings for collective investment in transferable securities (UCITS), electronic money institutions and alternative investment funds.¹³
17. The Task Force discussed some practical challenges arising from the broad description of PIEs. Consideration was also given to the fact that the definitions of PIEs might include SMEs and non-listed entities. Because of the varied definition for the term PIE, the Task Force agreed that the user needs for listed entities would be a sufficiently high bar for determining the conditional auditor reporting requirements of a revised auditor's report.
18. However, in light of the challenges noted, the Task Force has not concluded whether any of the proposed conditional auditor reporting requirements should be mandated for PIEs, but recognizes that national jurisdictions could mandate these or other specific requirements for PIEs in light of their national definition. In revising ISA 700, the IAASB may consider including guidance to this effect.

NSS Mandated-Specific Wording and Placement of Additional Information

19. The Task Force acknowledges that there may be other mechanisms in place to provide more information to users of audited financial statements. In this regard, it is envisioned that factors such as:
- A jurisdiction's laws and regulations that specify the content and language of auditor's reports (for example, Article 22 of the recent EC proposals); and
 - The nature of the entity (i.e., whether the entity is a SME or whether it is a PIE),
- would influence the wording and level of detail and the relevance of the core and/or conditional requirements provided in the auditor's report at the jurisdiction level.
20. Revised ISA 700 requirements under the building blocks approach would allow for flexibility in the placement of certain core or conditional auditor reporting requirements. This would include the:
- Means by which matters are communicated to users of audited financial statements (i.e., either in the auditor's report or by other means as prescribed by local law, regulation or the NSS's auditing standards), and
 - Specific wording that is used to convey such information.

¹¹ As defined in Section 290 of the International Ethics Standards Board's (IESBA) *Code of Ethics for Professional Accountants*

¹² Description of public interest entities (PIEs) in EC proposed regulation

¹³ Discussion of PIEs in Frequently Asked Question document that formed part of EC proposals

21. For example, under the building blocks approach expanded reporting by TCWG with auditor association thereon, as proposed by the FRC, may be deemed an appropriate alternative to including a section in the auditor's report on auditor commentary, provided that there is reference in the auditor's report that the information is made available to users through other means.
22. Also, for example, while the TF is proposing that a statement regarding compliance with ethical requirements be required for all entities, it recognizes the need to allow for flexibility in the specific words that are used in auditor's reports, as national law, regulation or auditing standards may prescribe specific auditor reporting wording in light of national ethical and independence requirements (see **Agenda Item 4-C**). Similarly, while the identification of the engagement partner(s) would be required for all entities, a revised ISA 700 would be flexible to accommodate circumstances in which the engagement partner may be required to sign the auditor's report.

Other Reporting Responsibilities

23. As discussed at paragraph 9 above, under the extant ISA 700 the auditor may report on other matters that are supplementary to the auditor's responsibility under the ISAs to report on the financial statements. Those additional responsibilities, referred to as ORRs, are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under the ISAs to report on the financial statements.¹⁴ For example, the auditor may be asked to:
 - Report on certain matters that have come to the auditor's attention during the course of the audit of the financial statements; or
 - Perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records (or internal control over financial reporting).
24. As is the case under the extant ISA 700, the auditing standards in the specific jurisdiction would provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction. The Task Force proposes retaining in principle the concept of an ORR section within a revised ISA 700 as a key feature of the building blocks approach. However, it is envisioned that some matters that are currently reported as part of the ORR section of the extant ISA 700 auditor's report (for example, national reporting requirements in relation to other information) might have different placement in a revised global auditor's report. To the extent that such matters relate to revised ISA 700 core and conditional reporting requirement(s) as illustrated in Appendix 1, such matters may be better placed together with the other information to be provided as a result of the revised ISA 700 core or conditional requirements rather than in the separate ORR section.

IV. Matter for the Task Force's Further Consideration

25. The Task Force determined that further outreach and dialogue would be required with various stakeholders to further refine and test the usefulness and feasibility of the building blocks approach for example with:

¹⁴ See ISA 700, paragraphs 38, 39, and A34-A36.

- Users of audited financial statements including investors, regulators and TCWG – To explore the usefulness of information that will be provided with under the building blocks framework.
- Regulators and policymakers – To explore the feasibility of the building blocks approach in light of local laws and regulations within specific jurisdictions.
- NSS – To evaluate circumstances when additional guidance would be helpful, particularly as it relates to conditional reporting requirements and other reporting responsibilities.
- Auditors and IFAC member bodies – To determine that there is a common understanding of what is meant by the term building blocks approach and identify any practical challenges, including those that relate to increase levels of auditor effort and overall audit cost.
- Users of SME audited financial statements – To further understand their auditor reporting needs.
- Users of PIE audited financial statements – To determine whether any of the proposed conditional auditor reporting requirements that are mandated for listed entities should be mandated for PIEs.

It will be necessary to have outreach and dialogue in conjunction with the preparation of the June 2012 CP as well as after its issuance. For example, discussions with the IAASB CAG at its March 2012 and the NSS at its April 2012 meeting will contribute to refining the building blocks concept, though it is not anticipated that all issues raised will be addressed before finalizing the June 2012 CP.

V. Matters for the IAASB's Consideration

1. The IAASB is asked for its views on:
 - Whether the concept of a building blocks approach is clearly articulated and understood, including the implications of moving towards an auditor reporting framework that is likely to reduce comparability in auditor's reports across audited entities even within the same jurisdiction.
 - Whether it supports the change in the placement of the auditor's opinion.
 - Whether it agrees with the Task Force's recommendations as to the core auditor reporting requirements.
 - Subject to Board deliberation of the proposals of the other Subcommittees, whether it agrees that the proposed conditional auditor reporting requirements should apply only to listed entities.
 - Whether any of the proposed conditional auditor reporting requirements that are mandated for listed entities should be mandated for PIEs.
2. Subject to the Board's conclusions on the matters addressed as part of **Agenda Items 4-A** through **4-D**, the IAASB is asked for its concurrence on the matters presented in the master checklist in Appendix 1 to this paper, specifically as it relates to the categorization of the auditor reporting requirements and the placement/ordering of the auditor reporting requirements.

Master Checklist of Auditor Reporting Requirements

This master checklist illustrates the Task Force’s recommendations as to the prescribed reporting requirements of a revised ISA 700 auditor’s report and how they should be mandated and positioned under the building blocks approach.

Color Legend

	Minimum Auditor Reporting Requirements or ORR that current exist under the extant ISA 700 framework
[Bold]	New Minimum Auditor Reporting Requirements
<u>[Underlined]</u>	<u>New Conditional Auditor Reporting Requirements</u>

Auditor Reporting Element	Mandated for Audits of all Entities	Conditional Auditor Reporting Requirements ¹		Other Reporting Responsibilities (ORR)- Required by National Law or Regulation in Specific Jurisdictions
		IAASB - Mandated for Listed Entities	NSS to Mandate Specific Wording and Placement based on principles in ISA 700	
1 Title ²	Yes			
2 Addressee ³	Yes			
3 Description of management’s responsibility	Yes			
4 An introductory paragraph that identifies the financial statements audited	Yes			
5 Auditor’s Opinion	Yes			
<u>6</u> <u>Going Concern</u> ⁴	<u>Yes</u>	<u>[TBD]</u>	<u>[TBD]</u>	
<u>7</u> <u>Auditor Commentary/Insights</u>		<u>Yes</u>	<u>Yes</u>	
<u>8</u> <u>Other Information</u>		<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
9 Description of auditor’s responsibility	Yes		Yes	
10 Reference to ISAs/ law/ regulation	Yes			
11 Description of an audit in accordance with ISAs/ law/ regulation ⁵	Yes		Yes	
12 Statement about compliance with ethical requirements, including Independence ⁶	Yes		Yes	

Auditor Reporting Element		Mandated for Audits of all Entities	Conditional Auditor Reporting Requirements ¹		Other Reporting Responsibilities (ORR)- Required by National Law or Regulation in Specific Jurisdictions
			IAASB - Mandated for Listed Entities	NSS to Mandate Specific Wording and Placement based on principles in ISA 700	
13	Other Reporting Responsibilities, by law or regulation at the national level ⁷				Yes
14	Identification of Engagement Partner (s)	Yes		Yes	
15	Identification of engagement team members				Yes
16	Identification of other firms who participated in the audit				Yes
17	The auditor's signature	Yes		Yes ⁸	
18	Date of auditor's report	Yes			
19	Auditor's address	Yes			

Notes:

- 1 Factors such as local laws and regulations that specify the content and language of auditor's reports (for example, Article 22 of the recent EC proposals) and the nature of the entity (i.e., whether the entity is a SME or whether it is a PIE) may influence the wording and level of detail of the information provided in the auditor's report. Accordingly, the Task Force is of the view that the NSS of the local jurisdiction will determine the specific wording and placement of additional information in the auditor's report that is deemed necessary in light of the IAASB mandated core or conditional requirements.
- 2 ISA 700, paragraph A15 notes that a title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the report has met all of the ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.
- 3 ISA 700, paragraph A16 notes that law or regulation often specifies to whom the auditor's report is to be addressed in that particular jurisdiction. The auditor's report is normally addressed to those for whom the report is prepared, often either to the shareholders or those charged with governance of the entity whose financial statements are being audited.
- 4 **Agenda Item 4-B** explains that, depending on the option pursued, reporting on may apply to all entities or listed entities only.
- 5 The description under extant ISA 700 will be replaced by other language recommended by the Clarifications Subcommittee. See **Agenda Item 4-D**.
- 6 This would be achieved by aligning the requirement of ISA 700, paragraph 30, to ISA 700, paragraph 43. Though the illustrative example in ISA 700 includes such a statement, its provision is not a minimum requirement in paragraph 43 of ISA 700 to refer to ISAs in the auditor's opinion.
- 7 For example, report on effectiveness of internal control over financial reporting, reports of those charged with governance, remuneration report, and others, as appropriate
- 8 The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

Minimum Auditor Reporting Elements under Extant ISA 700

1. ISA 700¹⁵ notes that, if the auditor is required by law or regulation of a specific jurisdiction to use a specific layout or wording of the auditor's report, the auditor's report shall refer to ISAs only if the auditor's report includes, at a minimum, each of the following elements:
 - (a) A title;
 - (b) An addressee, as required by the circumstances of the engagement;
 - (c) An introductory paragraph that identifies the financial statements audited;
 - (d) A description of the responsibility of management for the preparation of the financial statements;
 - (e) A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes:
 - A reference to International Standards on Auditing and the law or regulation; and
 - A description of an audit in accordance with those standards;
 - (f) An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards);
 - (g) The auditor's signature;
 - (h) The date of the auditor's report; and
 - (i) The auditor's address.
2. Based on its consideration of the above minimum auditor reporting elements under extant ISA 700, the Task Force determined that all should form part of the core reporting requirements of a new ISA auditor's report.

¹⁵ ISA 700, paragraph 43

Additional Reporting Responsibilities under Extant ISA 700

1. In order for auditors to comply with ISA 700, there are additional mandatory reporting responsibilities.¹⁶ Notwithstanding the specific illustrative language and recommendation of the Insights, Going Concern/Other Information and Clarifications Subcommittees, the Task Force, based on the recommendation of the Building Blocks Subcommittee, considered whether there is merit in explicitly describing those additional reporting responsibilities in the auditor's report. For example, the task force considered whether core reporting requirements could include statements that further address/explain:
 - (a) Whether sufficient appropriate audit evidence has been obtained to support the auditor's opinion.
 - (b) Whether uncorrected misstatements are material, individually or in aggregate.
 - (c) The auditor's evaluation of whether the financial statements are prepared in accordance with the requirements of the applicable financial reporting framework.
 - (d) How the auditor considered, and concluded on the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgment.
 - (e) Whether in view of the applicable financial reporting framework the auditor determines that the:
 - Financial statements adequately disclose the significant accounting policies selected and applied.
 - Accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate.
 - Accounting estimates made by management are reasonable.
 - Information presented in the financial statements is relevant, reliable, comparable and understandable.
 - Financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements.
 - The terminology used in the financial statements including the title of each financial statement is appropriate.
 - (f) When the financial statements are prepared in accordance with fair presentation, how the auditor considered and concluded about:
 - The overall presentation, structure and content of the financial statements; and
 - Whether the financial statements, including the related notes represent the underlying transactions and events in a manner that achieves fair presentation.

¹⁶ ISA 700, paragraphs 11–14 and 30

- (g) That the auditor complied with ethical requirements (including relevant independence requirements) as part of the ISA audit.
2. Based on consideration of the aforementioned additional reporting responsibilities, the Task Force determined that:
- A statement about the auditor's compliance with ethical requirements, including independence, should be included as a core reporting requirement of a revised report.
 - Statements about how the auditor considered and concluded about the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgment, would be subsumed as part of the recommendations of the Insights Subcommittee and thus evaluated as such.

Current Differences in Auditor's Reports

1. Informed by the Building Block's Subcommittee's review of illustrative auditor's reports the Task Force noted that:
 - A statement about independence and/or compliance with ethical requirements may be drawn from what is currently being said in the auditor's reports in Australia, Japan and Iceland.

Excerpt from Australia's auditor's report

[Auditor Responsibility]

Independence

In conducting our audit we have complied with (per ABC annual report for 2011) the Independence requirements of the Corporations Act 2001. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Report of the Directors. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

[Auditor's Opinion]

Excerpt from Iceland's auditor's report

[Auditor's Responsibility and Basis of Opinion]

Our responsibility is to express an opinion.....in accordance with XYZ standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

[Opinion]

Excerpt from Japan's auditor's report

In our opinion the consolidated financial statements.....in conformity with ...

[Additional Information]

[Audit of ICFR]

In our opinion, management's report on ICFR.....in conformity with ...

Our firm and the engagement partner do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

- A statement about newly adopted or changed accounting policies and practices, akin to what was included in the Japanese illustrative report could be explored.

Excerpt from Japan’s auditor’s report

In our opinion the consolidated financial statements.....in conformity with ...

[Additional Information]

As discussed in Note X, Summary of Accounting Policies, the consolidated financial statements referred to above have been prepared in accordance with certain updates to Accounting Standards Codification Topic 810, Consolidation, which were newly adopted for this fiscal year.

[Audit of ICFR]

- Matters that are required to be communicated in the auditor’s report because of law or regulation in specific jurisdictions or auditing standards of local NSS are being/ can be accommodated by the extant ORR section of auditor’s reports. Those matters include:
 - Reporting on internal control over financial reporting in Japan and US auditor’s reports
 - Describing the summary of work performed on “statements of segmentation of business and the accounting information including on the balance sheet...supplement to the financial statements” in Brazil’s auditor’s report
 - Providing assurance on Director’s declaration in Australia’s auditor’s report
 - Statement about financial interest in Japan’s auditor’s report
 - Annexure as required by Indian auditing standards and Indian local laws
 - Justification of Assessments as required in auditor’s reports as required by French Law
 - Engagement partner signature as required by Australian auditing standards and Section 324AB(3) of the Corporations Act in Australia, UK and Pakistan.