

# Auditor's Reporting Model Project Framework

Bella Rivshin

*Associate Chief Auditor, Office of the Chief Auditor*

This presentation was developed by the staff of the Office of the Chief Auditor as of July 15, 2010 to foster discussion among members of the Standing Advisory Group. It is not a statement of the Board; nor does it necessarily reflect the views of the Board or staff.

## Auditor's Reporting Model Project Framework

- Potential approach
  - Phase I – Clarify the auditor's report
  - Phase II – Assess the form and content of auditor's report and identify additional user needs

## Phase I – Clarify the Auditor’s Report

- The Office of the Chief Auditor (OCA) staff is considering recommending to the Board the following changes to the auditor’s report
  - Add wording “whether caused by error or fraud”
  - Add concept that reasonable assurance is a high level of assurance but is not absolute assurance
  - Add wording that the auditor is independent as required by applicable rules and regulations
  - Add a requirement that the auditor’s report be addressed to both the Board of Directors and shareholders



## Phase I - Discussion Questions

- Are the potential changes to the auditor’s report appropriate?
- Are there any other changes to the auditor’s report the staff should consider in Phase I?



## Phase II – Assess the Form and Content of Auditor’s Report and Identify Additional User Needs

- Part A – Conduct research on potential changes to the auditor’s reporting model
- Part B – Hold roundtable to discuss information obtained during the research phase and seek additional feedback
- Part C – Assess feedback received and determine next steps



## Phase II – Assess the Form and Content of Auditor’s Report and Identify Additional User Needs

- Part A – OCA to conduct research on potential changes to the auditor’s reporting model
  - Conduct research to ascertain and identify additional investor and user needs
    - What information pertinent to the audit and activities of the auditor helps users make a decision to invest in a company
    - What information do users believe is necessary and required to be relayed to them by the auditor
  - Monitor developments of other standard-setters and regulators studying this topic
  - Monitor FASB disclosure framework project as it relates to investor and user needs for enhanced disclosure



## Phase II – Assess the Form and Content of Auditor’s Report and Identify Additional User Needs

- Part B – OCA to hold roundtable to discuss information obtained during the research phase and seek additional feedback on potential approach to update the form and content of the auditor’s report
  - Present overview of research conducted
  - Discuss additional user needs
  - Discuss potential solutions and challenges of additional user needs
- Part C – OCA to assess feedback received and determine next steps
  - Obtain further input from SAG, as needed
  - Present staff recommendation to the Board regarding potential project



## Auditor’s Reporting Model Project Timing

- 2010
  - Phase I – OCA to consider recommending that the Board propose amendments to interim standards
  - Phase II, Part A – OCA to conduct research
- 2011
  - Phase I – OCA to recommend that the Board propose amendments to interim standards
  - Phase II –
    - Part A, OCA to conduct research
    - Part B, OCA to hold roundtable
    - Part C, OCA to assess feedback and next steps



## Phase II - Discussion Questions

---

- Is the potential approach for Phase II appropriate?
- Is there anything else that should be considered in Phase II?
- Is the overall project timing appropriate?