



A new
audit reporting
journey

Providing exceptional client service...in a new direction



Just as business and commerce are constantly changing, so do the needs of users of financial statements. As a result, the recently revised International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) herald the dawn of a new era of audit reporting.


This new regime has been designed to focus principally on the key output from the audit process – the auditor's report.

Seeing each business...

These changes will become effective for financial statement periods ending on or after 15 December 2016.



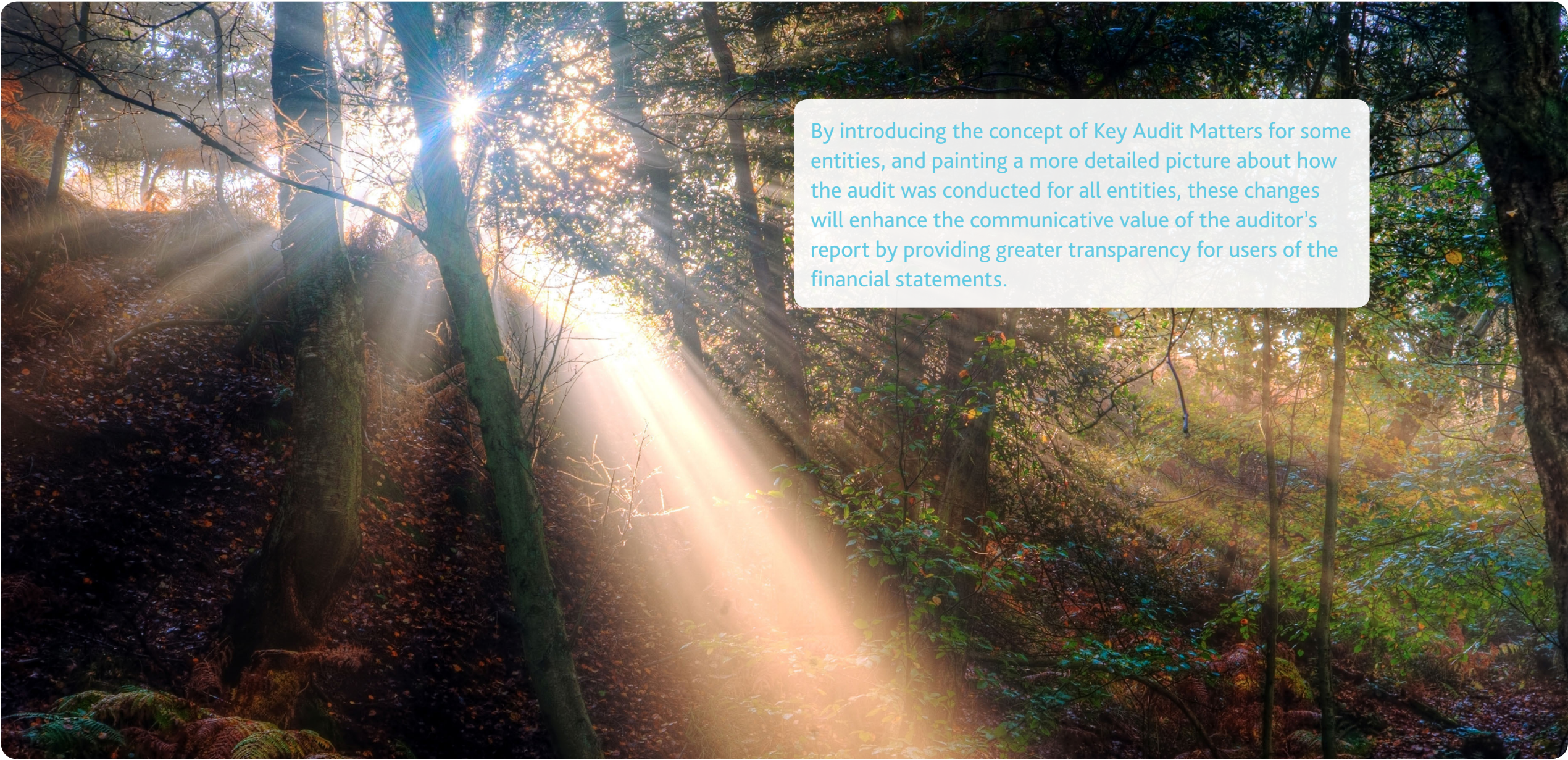
...from a new perspective



The world of assurance never stands still. To better meet the needs of investors and other users of the financial statements, there have been calls for the auditor's report to be more informative. A key challenge for the IAASB and audit firms has been how to provide more relevant information to users based on the audit that was performed.

BDO supports these changes to auditor reporting in order to highlight the value that can be placed on a financial statement audit.

Shedding more light...



By introducing the concept of Key Audit Matters for some entities, and painting a more detailed picture about how the audit was conducted for all entities, these changes will enhance the communicative value of the auditor's report by providing greater transparency for users of the financial statements.

...by providing a contrast

What will the new revised ISAs mean for owners, shareholders, management and those charged with governance of a business?

A number of benefits have been highlighted, including:

- Increased transparency of the audit process
- Improved clarity of communications between auditors, management and those charged with governance
- More focus by management and those charged with governance on disclosures provided in the financial statements
- Emphasis on key audit matters that have a significant impact on the audit
- More focused application of professional skepticism.

How will the changes impact **your** audit report?



For listed entities the new requirements are:

- Key Audit Matters – those matters which in the auditor's professional judgment were of most significance in the audit of the current period financial statements
- Disclosure of the name of the engagement partner in the auditor's report.

... and for all ISA audits...

The IAASB changes are not just confined to listed entities.

For all audits, changes have been made to the auditor's report to provide greater communicative value.

These changes have affected the structure, headings, wording and professional judgments applied when the auditor's report is created.

These changes include:

- Presenting the opinion section first in the auditor's report
- Enhancing auditor reporting on going concern matters – including having a separate section when there is a material uncertainty relating to going concern
- Providing an enhanced description of auditor responsibilities and key features of the audit
- Inclusion of an affirmative statement about the auditor's independence as well as their ethical responsibilities
- Providing a better understanding of Other Information and the context of the Annual Report
- Considering implications for putting part of the auditor's report online.

Getting familiar with a new format...

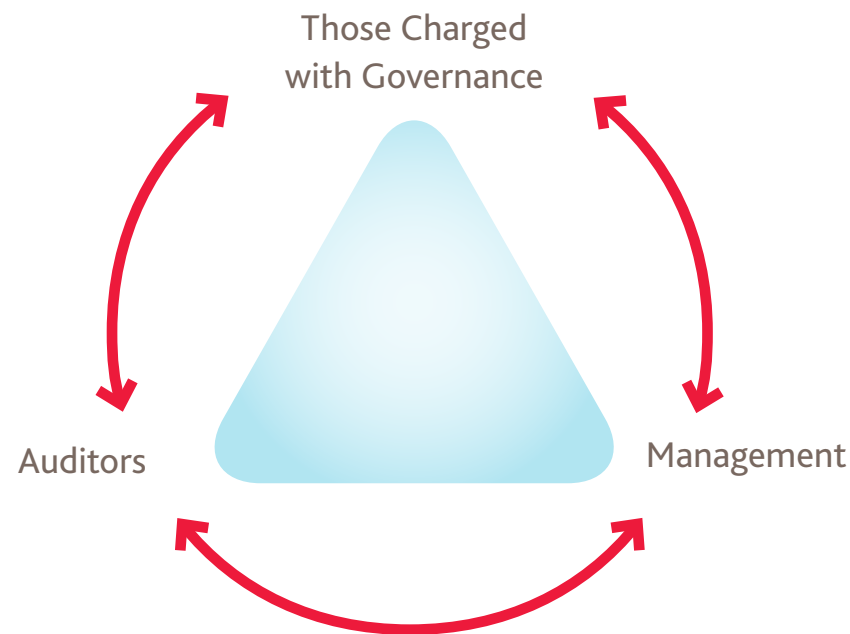
The changes brought about by the revised ISAs mean that there is a more prescriptive set of section headings in the new auditor's report format.

Here's what you can expect to see:

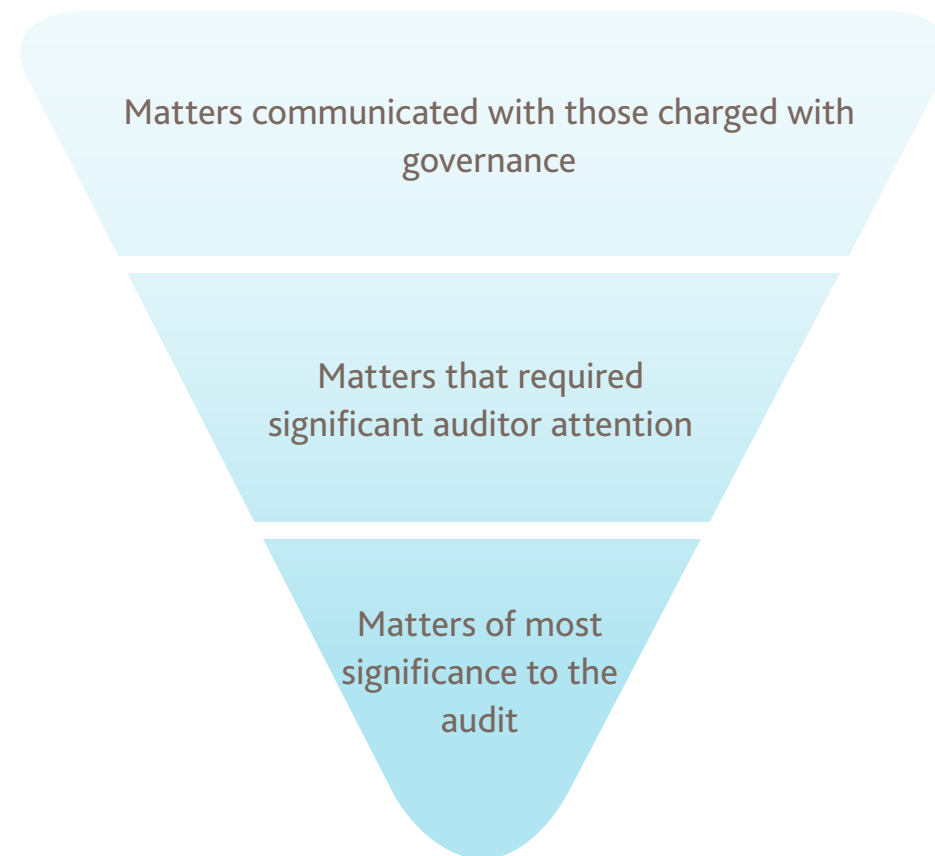
- Opinion
- Basis for Opinion
- Emphasis of Matter (if applicable)
- Material Uncertainty Related to Going Concern (if applicable)
- Key Audit Matters (if applicable)
- Other Matters (if applicable)
- Other Information
- Responsibilities of Management and Those Charged with Governance for the Financial Statements
- Auditor's Responsibilities for the Audit of the Financial Statements



How might **your audit** change?



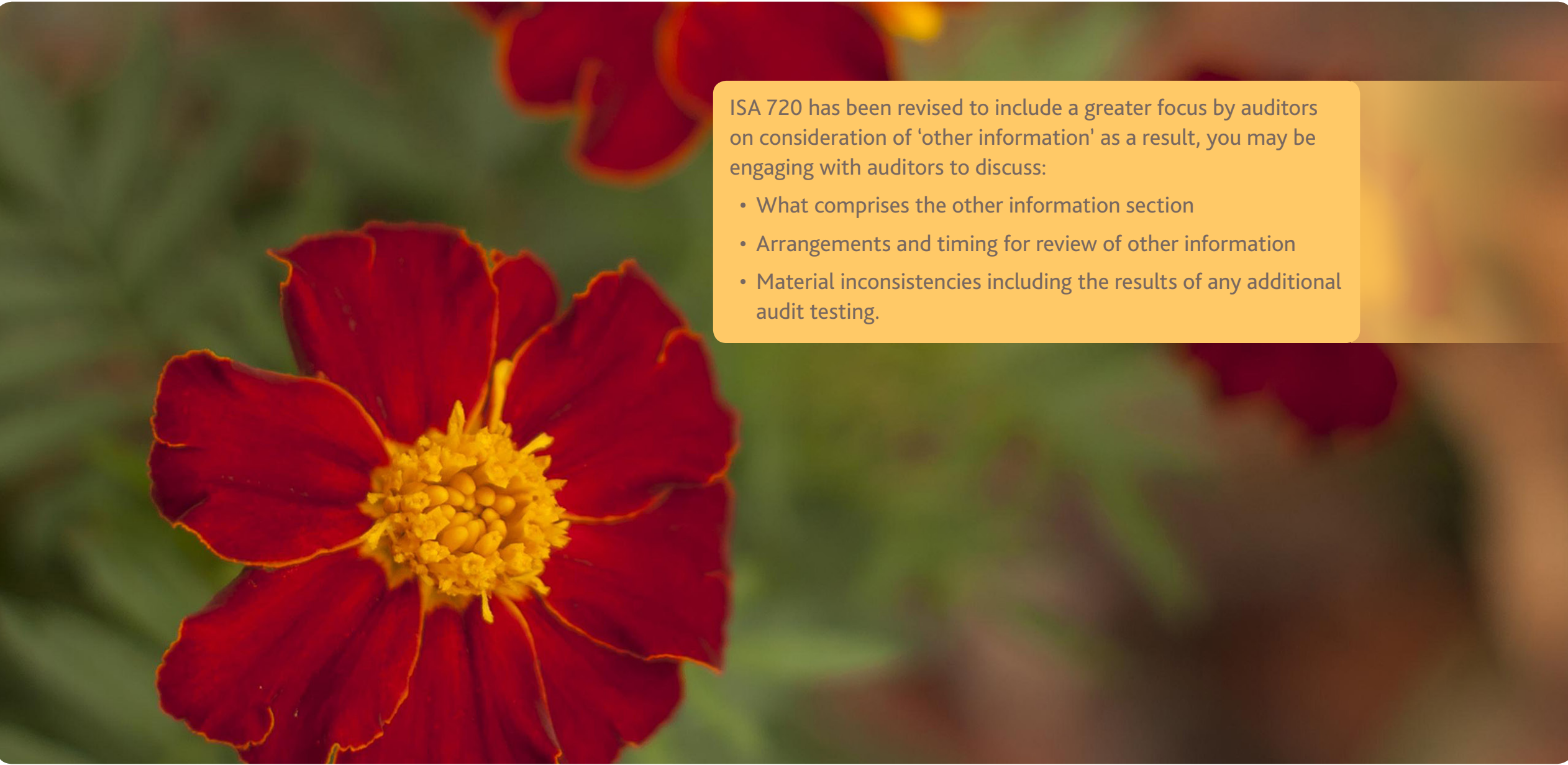
Given the changes to ISA 720 on Other Information and the potential impact of ISA 701 regarding the communication of Key Audit Matters, there is likely to be an increase in the number and nature of discussions that occur between management and auditors, auditors and those charged with governance, and management and those charged with governance.



When relevant, auditors will be required to follow a professional judgment framework when determining Key Audit Matters to include in the auditor's report.

This framework operates like a filter to ensure that only those matters which are of most significance to the audit are brought to the attention of those charged with governance and other users of the financial statements.

Other Information in greater focus...



ISA 720 has been revised to include a greater focus by auditors on consideration of 'other information' as a result, you may be engaging with auditors to discuss:

- What comprises the other information section
- Arrangements and timing for review of other information
- Material inconsistencies including the results of any additional audit testing.

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to start a
new journey?

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