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Standard setters "out of synch" over auditor reporting rules

by Richard Crump 27 Nov 2013



DIFFERING VIEWS among standard setters and policy makers on how auditor reporting should change put global consistency at risk and could result in investors not getting the information they need, the ICAEW has warned.

The European Union, IAASB, FRC and the US' Public [Company](#)  Accounting Oversight Board (PCAOB) all agree that the way auditors report on financial statements needs to change, with auditors required to provide more information in their reports that accompany annual accounts.

However, they are "out of synch" with the timing and content of their proposals, which could create

confusion for investors, the institute said.

"We would like to see international consensus on how the auditor report should change to prevent unhelpful duplication and overlap in years ahead. The inconsistencies between the different standard setters are therefore far from ideal," said Robert Hodgkinson, ICAEW executive director.

The proposed changes to the auditor report come as a result of investors expressing a desire to understand more about what auditors have done, where the critical judgements took place and what they focused their time on.

Last year, the FRC made changes to the UK's auditing regime, including new reporting disclosures in which auditors must provide an overview of the scope of the audit showing how it addressed the risk and materiality considerations.

Those changes differ slightly from recommendations being considered at a global level by the IAASB. For instance, the IAASB proposals require going concern statements to be made in all cases while the FRC's requirements do not. Additionally, the FRC's requirement to report on the application of materiality would be dealt with as an 'other matter' rather than a 'key audit matter' under the IAASB's proposals.

The ICAEW has been [particularly critical of the FRC's decision](#) to act ahead of global consensus. A move which it claims is "likely to weaken the UK's influence internationally".

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