



Setting the global standard for investment professionals

Independent Auditor's Report Survey Results

March 2010

560 Ray C. Hunt Drive
PO Box 3668
Charlottesville, VA
22903-0668 USA

434 951 5499 tel
434 951 5262 fax
info@cfainstitute.org
www.cfainstitute.org

Contents

Summary of Key Findings	3
Purpose & Methodology	4
Full Results	5
Importance of the Auditor's Report.....	5
Information about the Audit Process & Matters Related to the Audited Financial Statements	11
Disclosure on Roles of Auditors and Method of Determining Materiality	14
Information on the Audited Entity	18
Additional Information in the Auditor's Report.....	20
Additional Comments on the Auditor's Report.....	21

Summary of Key Findings

Importance of the Auditor's Report (Page 5)

- 72 percent of respondents said the auditor's report is important to their analysis and use of financial reports in the investment decision making process; with 46 percent indicating it is *very important*.

Report Language Describing the Nature of an Audit & Respective Roles of Auditor and Management (Pages 7 and 9)

- 73 percent agree that the auditor report's language on the nature of an audit and respective roles of auditor and management could help reduce or manage the expectations gap that exists regarding the financial statement audit.
- Furthermore, 69 percent think it is important to provide these communications within the auditor's report, with 33 percent indicating it is *very important*.

Disclosure on Roles of Auditors and Method of Determining Materiality (Pages 14 and 15)

- An overwhelming 91 percent agree that in cases where there is more than one auditor, the identities and specific roles of other auditors should be disclosed.
- 82 percent agree that the method by which the auditor determines/assesses materiality should be disclosed.

Information about the Audit Process & Matters Related to the Audited Financial Statements (Page 11)

- 60 percent of respondents believe the auditor's report should contain more information about the audit process itself and matters related to the audited financial statements. The findings show also that 37 percent of respondents believe the auditor's report contains the right amount of information about the audit process itself and matters related to the audited financial statements.

Information on the Audited Entity (Page 18)

- 57 percent think the auditor's report should contain more information on the audited entity. 40 percent think the auditor's report contains the appropriate amount of information.

Additional Information in the Auditor's Report (Page 20)

- 94 percent of respondents would like to see additional information in the auditor's report
 - 77 percent would like to see information about "audit materiality".
 - 72 percent would like to see information on circumstances or relationships that might bear on the auditor's independence.
 - 66 percent would like to see the level of assurance actually achieved in the audit.



Purpose & Methodology

The purpose of this survey is to gather feedback on topics associated with the independent auditor's report. These views will be used to assist in informing the audit standards-setting bodies as they consider how to modify these standards to ensure that the user needs are being considered in any proposed changes.

This online survey was distributed via email to members of the CFA Institute Financial Reporting Survey Pool. This survey pool consists of approximately 500 individuals who have agreed to participate in ongoing surveys from CFA Institute related to financial reporting issues. 54 percent of the participants are from the Americas, 27 percent from Europe, Middle East, Africa, and 19 percent from Asia Pacific.

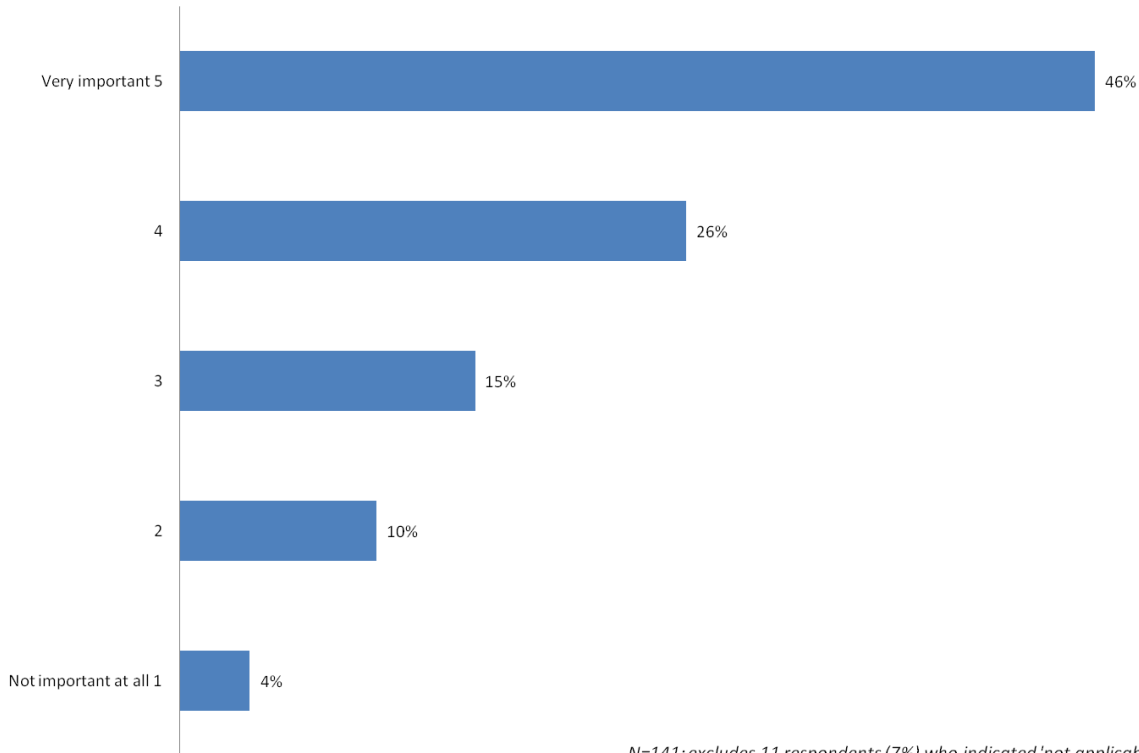
The survey was distributed on 23 February 2010 and closed on 26 February 2010. In total, 153 responses were received, for an overall response rate of 31 percent. The number of responses will vary slightly by question, as respondents were not forced to respond to each question and since the number responding "not sure/no opinion" varies. The margin of error for this survey ranges from ± 6.6 percent to ± 7.4 percent at the 95 percent confidence level.

Full Results

Importance of the Auditor's Report

46 percent of respondents said the auditor's report is very important to their analysis and use of financial reports in the investment decision making process; 72 percent overall said it is important (top two boxes).

How important is the auditor's report to your analysis and use of financial reports in the investment decision making process?



N=141; excludes 11 respondents (7%) who indicated 'not applicable'

Elaborative Comments

Rated a '5' (Very important) or '4' (Important):

- Because the auditor's report has become rather "boiler-plate" it is not very useful to investors. That being said, the "auditor's report" should be extremely valuable. The auditors possess much information which could be useful to investors. Though, being dependent upon the issuer for its sole compensation means auditors have no incentive to leverage this information content on behalf of investors. Rather the incentives are to leverage this information on behalf of the issuer, sometimes at the expense of the investor.
- Clean vs. not clean. Otherwise, not important, since it is boilerplate.
- If not audited, the financial part of an annual report is not meaningful at all. Frustratingly (a) the quality of an audit, (b) truth and (c) meaningfulness of financial figures are difficult to assess, in my view, these figures are the basis of all fundamental value assessments.
- It is a critical third party review of the financials.
- More detail on findings and testing performed would be helpful.

- *Unqualified audit opinions give credence to the data in the reports. I infrequently read the audit reports but would be very interested if there was anything but the usual unqualified opinion.*

Rated a '3' (Neutral):

- *I'm a CPA and former auditor, so I know from experience that while the report is intended to carry weight, the quality often suffers from several limitations: thoroughness & competence of auditor, level of audit committee monitoring, complexity of the business, etc.*

Rated a '2'(Not Important):

- *The auditor's report is only important when the explicitly state some short comings otherwise it is a satisfier.*

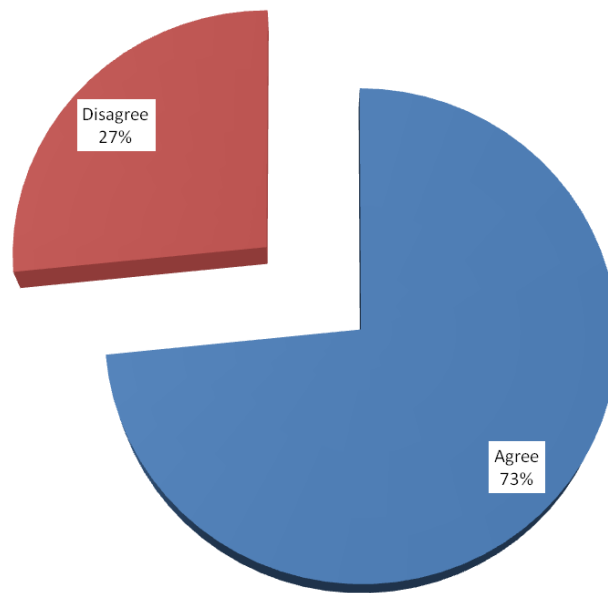
Rated a '1'(Not Important at All):

- *Auditors and issuers battle out differences with the end result being the same - an unqualified opinion. Would be helpful if summary of opinion differences were included.*
- *The standard language is useless*

Report Language Describing the Nature of an Audit & Respective Roles of Auditor & Management

73 percent of respondents agree the auditor report's language on the nature of an audit and respective roles of the auditor & management could help reduce or manage the expectations gap that exists regarding the financial statement audit.

Do you agree or disagree that the auditor report's language describing both the nature of an audit and the respective roles of the auditor and the management could help reduce/manage the expectations gap that exists regarding the financial statement audit



N=139; excludes 14 respondents (9%) who indicated 'not sure/no opinion'

Elaborative Comments

Agreed:

- *Absolutely! The general analyst reading an audit report is assuming a high degree of confidence in the 3rd party "independent" audit. If the auditor makes things look "rosier" than they truly are, it may be quite difficult for the analyst to discount that.*
- *The opinion has too many disclaimers and refutations of liability by the auditor.*
- *I agree in theory but the language is watered down to the most mundane language that will minimize the likelihood of litigation and therefore become of little use in addressing the issue.*
- *In my opinion the auditors disclaim too much and try to dodge a lot of responsibility.*
- *It is very easy to assume that an unqualified audit means everything is OK. Reading the language in the auditor's report is important to the user of financial statements to understand the context of an unqualified audit opinion.*
- *Normally the auditors indicate that they express an opinion on the reasonableness of the figures presented in the financial statements. The way the auditors articulate their objectives are adequate.*

However in my opinion auditors should also help to point out issues on corporate governance, fraud and material risks on the organization, issues which are to date not necessarily covered in the objectives of the audit.

Disagreed:

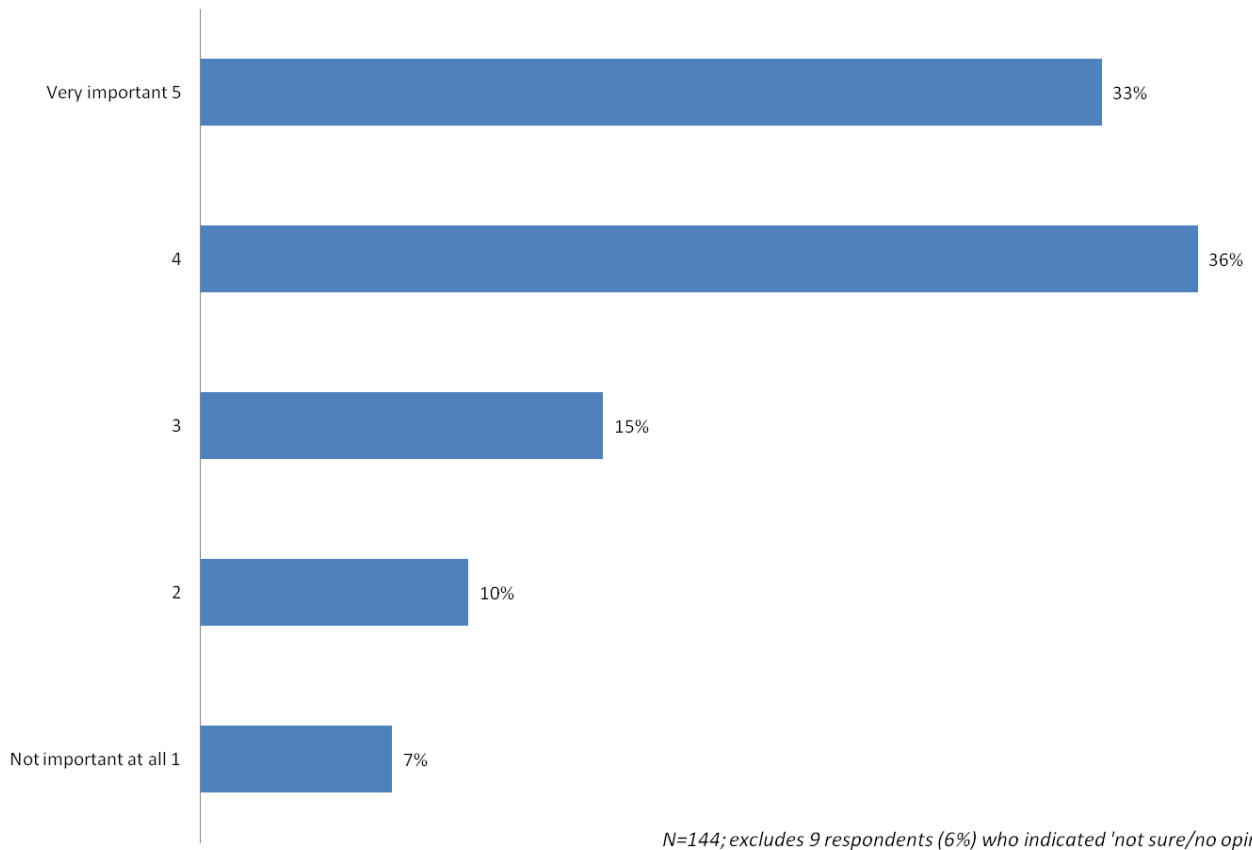
- *Auditors ultimately work for management and I believe there are considerably more ways for auditors and management to describe their roles.*
- *Management's assertions are more important than the audit, and it's more important that management explain how it's thorough in doing so rather than relying on the auditors, which is normally what actually takes place.*
- *The reports are generally not read in detail so changing the language that surrounds an unqualified opinion would do little to manage expectations.*

Not sure/no opinion:

- *It is more important that auditors ALL follow a standard audit procedure, so that financial reports are all presented on a common basis. Legal disclaimers add no value to investors and waste paper.*

Furthermore, the majority of 69 percent think it is important (top two boxes) to provide communications describing the nature of an audit and the respective roles of auditor and management within the auditor’s report, with 33 percent indicating it is very important. 17 percent do not think it is important to retain these communications in the report.

How important is it to provide communications describing the nature of an audit and the respective roles of auditor and management within the auditor's report?



Elaborative Comments

Rated a '5' (Very important) or '4' (Important):

- *I think it is very important that the auditor outlines the scope of the audit and the issues on which he is mandated to provide an opinion. This is important for the analyst / investor to understand the limitations of the audit, as well as for the auditing firm, which has to limit its risk of not being drawn into civil litigation in fraud cases e.g. WorldCom.*
- *Some expect too much of an audit. It has to be stated that testing is done on a selective basis (based on materiality and risk assessment), and that an audit will not uncover all cases of fraud and errors.*
- *These communications are not so important to the investors who have had some experience in reviewing the auditors' reports. However, these communications are very important to new unsophisticated investors as they might be expecting more from the auditor actually has to do.*

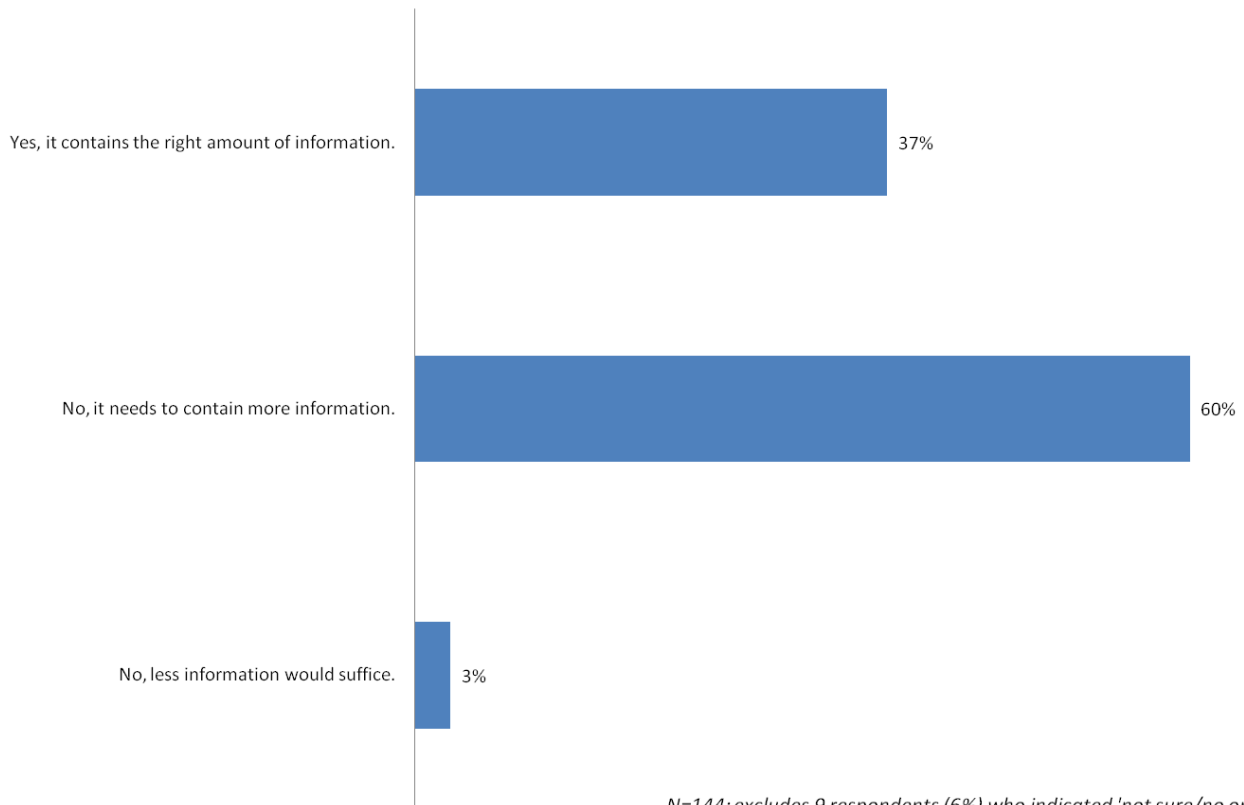
Rated a '1' (Not important at all):

- *Auditor's opinion could be reduced to "Clean" or "Not Clean" with the signature underneath, given current levels of disclosure.*
- *The language is completely irrelevant. There just needs to be an external party taking responsibility for auditing the statements. The language used never changed the work performed and the errors found.*

Information about the Audit Process & Matters Related to the Audited Financial Statements

37 percent of respondents believe the auditor’s report contains the right amount of information about the audit process itself and matters related to the audited financial statements, while 60 percent believe it needs to contain more information and 3 percent believe less information would suffice.

Do you believe the auditor's report contains the right amount of information about the audit process itself, and matters related to the audited financial statements?



Elaborative Comments:

Yes, it contains the right amount of information:

- *It should also contain an opinion on the control system and including specifically the entity's risk management.*
- *Too much detail would blur the picture.*

No, it needs to contain more information:

- *A good example of useful information is the letter that auditors provide to a board of directors where audit findings are discussed.*
- *An assessment of issues unique to the audit would be more useful along with comments about accounting judgments and control issues.*
- *As it stands now only those who understand the codes of the profession can grasp the meaning of the report. It ought to be clearer for any educated user to get the right understanding of it.*

- *It needs to contain information re: what the auditor's assessment of the control environment is and ideally what level of quality underlying systems and records are like? Ideally an assessment of management would also be useful, though this would be optimistic and may impair independence.*
- *It would be nice for non-audit individuals to get a clearer picture of what level of assurance can be placed on the statements post audit. An improvement may be to add materiality to the description and a more fulsome description of what an audit does (either in or out of the audit report)*
- *Materiality levels that the auditor uses to drive audit processes need to be quantified. Statement of any other relationship with the client for the audit firm, extent of fees generated, fees as a percent of audit division's and the audit firm's revenues and the fee for other services from the entity should be disclosed*
- *Perhaps audit "management letter" issues should be summarised by the auditor to improve governance issues over time. I'm not convinced however that this should be part of the actual audit opinion, or an additional disclosure. Of course, the Directors should have an opportunity to respond to these issues.*
- *The company should have a process for people to raise ethics issues. The ethics process should be closely linked to the board of directors. The process should be such that the complainer is not subject to retaliation and the board is responsible for monitoring ALL ethics complaints. The problem with all these financial blow ups is that there are people in the company who know there is a problem, but they don't have an avenue to surface the issues. If they surface the issues they will lose their job. I have seen this occur on many occasions. The auditor should review the complaint, resolution and directors involvement. This should be in the report. If there is a problem then the directors are on the hook.*

No, less information would suffice:

- *Care less about what they did but more about what they found.*

Additional information on the audit process/audited financial statements that might be considered useful—and how it would assist others:

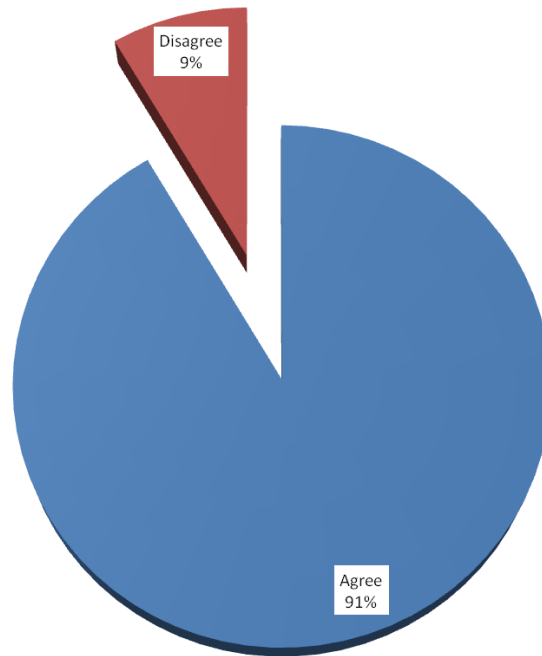
- *(1) State what audit work was performed on each key financial statement line item and XBRL tag, and why the items were focused on in the audit (2) discuss significant judgments and estimates made by management and how the auditors audited them. (3) how the work done on disclosures differed from work done on the face (4) state that the auditors looked for fraud (5) how the auditors assessed materiality (6) what exactly was audited by another auditor, i.e. for what the other auditor was responsible (7) state any changes in accounting standards used (8) discuss communications between auditors and audit committees, and disclose any liability caps that the auditor included in the engagement letter. (9) date when the audit was complete (10) audit partner signature (11) areas identified as having elevated risk, and noting if risk increased relative to the prior period (or areas previously identified as higher risk, but no longer is)*
- *What are the critical matters of judgment where auditors differ from management.*
- *A more detailed explanation of the process used to sample and "stress-test" managements' assumptions would be helpful, especially in light of SFAS 157 and the usage of "mark-to-market" and "mark-to-model" accounting.*
- *A statement of audit hours spent coupled with audit issues resolved, accounting judgment and control issues encountered would be more helpful. It would be tailored to the Company and accompany the opinion.*
- *Additional information on the selection process for auditors.*
- *Adjustments booked as a result of the audit would be useful as an indicator of the quality of financial information.*
- *Any areas of weakness found in the audit, and any disagreements with management that were material but did not rise to the level of impacting the clean vs. not clean decision currently disclosed.*

- *Auditors should have the option to disclose any information that they think is pertinent for disclosure without the approval of management regardless of whether it qualifies his opinion or not.*
- *Auditors have nothing to gain by putting investors interests ahead of the client (the financial statement issuers). We need a better system which will reward auditors for accounting conservatism and integrity, which ultimately protects investors and strengthens our economy/capital markets.*
- *Consolidating financial statements for the segments and for the accrual/ cash items.*
- *Discussions of what procedures were performed from the balance sheet date to the date of the report.*
- *Experience of lead auditor/manager. Time spent on audit by auditors. Consecutive years of engagement with the company.*
- *Highlighting of any concerns and significant judgments which are not currently reflected in the report.*
- *I think it would make sense to divulge the areas of risk in the audit. Having been an auditor I know that certain areas of the balance sheet and income statement are much higher risk than others. If we as users know this information we can better understand the risks in using and analyzing the financial statements as presented. I also believe that all derivative contracts should be disclosed and that the auditors have verified completeness.*
- *Issues of specific concern to the entity audited and how these were addressed within the audit plan. Perhaps an outline of the risk factors identified and how these were addressed/resolved within the audit.*
- *It might be helpful to clearly explain what an audit involves and what the concept of materiality means.*
- *It might be useful (if not overly burdensome) to provide readers an indication of what the items of focus were in the audit and the percent of audit time spent on each (for example derivatives, loan loss reserves, fair value for financial institutions).*
- *It would be great if they can disclose the items that they bring to management's attention but are not "material" enough to be mentioned in auditors' report. In addition, I would also like to see the materiality threshold utilized or an overview of what they consider to be the limitations or more details on what is considered within their audit scope instead of using general disclaimers.*
- *It would be helpful to understand the types of procedures performed around high risk areas. For example, on companies with significant investment balances, how were valuations tested? 100% confirmation with counterparties? Were independent prices obtained or calculated?*
- *More detailed information, e.g. level of detail provided to the audit committee.*
- *More discussion/description of any issues encountered during the audit. How long the audit process took.*
- *Off balance sheet transactions and any other information that is not transparent.*
- *Rather than boiler plate language that remains unchanged from year to year, the level of audit effort required for specific areas of the financial statements needs to be explicitly clarified so that the public can understand where the relative reporting complexity actually comes from.*
- *The process of auditing including key variance of management practices from other players in the similar industry. Variance and adjustments that would have been made if alternative/ more reasonable accounting practices were implemented.*
- *The sampling process and methodology for determining "materiality" of information should be defined.*
- *Total compensation to audit firm from company & all affiliates; Summary of considerations by audit firm for and against adopting accounting policy changes & summarize how they may be interpreted as more aggressive or conservative.*
- *What is the level for materiality? This varies by auditor and company. This is important to evaluate the risk of misstatement and the misstatement variance of financial ratios. What has been done to determine related company firms? There are many interactions between companies and the existence of a relationship between the firm's officers and board members with suppliers or customers could impact the operations of the firm.*

Disclosure on Roles of Auditors and Method of Determining Materiality

91 percent agree that in cases where there is more than one auditor, the identities and specific roles of other auditors should be disclosed.

Do you agree or disagree that in cases where there is more than one auditor, the identities and specific roles of other auditors should be disclosed?



N=141; excludes 9 respondents (6%) who indicated 'not sure/no opinion'

Elaborative Comments

Agree:

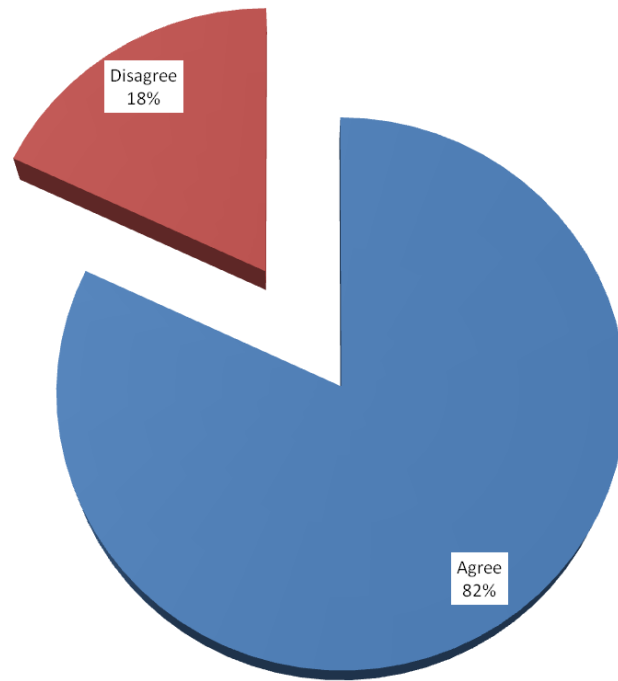
- *If reliance by one audit team is being placed upon the work conducted by another, we definitely need disclosure of these roles.*
- *In case of multinationals or holding companies with subsidiaries in different jurisdictions, it may well be the case that more than one company is involved in the audit. I would like to see specific disclosure as to which subsidiaries have been audited by which audit firm. In other cases one audit firm is employed as external auditor, while another audit firm provides consultancy services or is perhaps involved in company secretarial duties. I would also like to see this disclosed in the financial statements.*

Disagree:

- *One auditor should be responsible for expressing the opinion. In my opinion, reliance on other auditors would be a red flag.*
- *One auditor should have responsibility and apply appropriate professional standards with regard to reliance on any other auditor's work.*

82 percent agree that the method by which the auditor determines/assesses materiality should be disclosed.

Do you agree or disagree that the method by which the auditor determines/assesses materiality should be disclosed?



N=144; excludes 5 respondents (3%) who indicated 'not sure/no opinion'

Elaborative Comments

Agree:

- *This will help the user understand what level of tolerable error to allow for analysis of the income statement and balance sheet. Importantly it should also be disclosed whether one materiality level has been applied across the income statement and balance sheet or whether there are differences?*
- *I would consider the materiality definition one of the most important matters, esp. in light of cases like HealthSouth.*
- *This is a key issue. GAAP calls upon management to determine materiality. The auditors then provide judgment about management's determination. Managements need to make materiality hurdles clear and investors need to know what the auditor thinks.*

Disagree:

- *I believe that such disclosure would give a higher level of perceived accuracy than warranted akin to adding decimal places to a number to make it look more accurate.*
- *If this were disclosed, then companies could begin to manage around materiality levels. I think the methodology could be discussed at a high level but not in enough detail to allow companies to predict materiality levels.*

- *Materiality should not be solely based on quantitative analysis and therefore each situation needs to be dealt with on a case by case basis which makes it impossible to disclose. Too many questions come out of quantifying materiality for users.*

Not sure/No opinion:

- *I think there should be a broad understanding of materiality used by ALL entities (management, auditors, regulators, investors and analysts, etc.)*

The qualitative or quantitative measures respondents would support in defining materiality are:

- *Percentage of profit, percentage of equity, percentage of total assets.*
- *A percentage of gross revenue or total assets.*
- *Any amount that would impact the decision making process of an investor or creditor. Perhaps management could provide some guidance as to the levels it deems to be material.*
- *Any item in the financial statements where there is significant judgment made by management*
- *Any measure that would affect credit quality.*
- *Anything in excess of 5% of any line item in the income statement, balance sheet, or source and use of funds*
- *Anything that a reasonable investor would want to know.*
- *At the "line" level on the statements as opposed to at the "total" level. Some perspective of how much + or - variation from stated (point estimate) values along the lines of a confidence interval would be helpful.*
- *Balance sheet by 5% or more is material. Income statement by 3% or more is material. Tests should be carried down to major business units/lines so that they cannot be offset at the consolidated level but thresholds should be increased to 8% balance sheet and 5% income statement at business line level".*
- *I still feel that materiality should be based upon a percentage of a balance sheet factor, a percentage of an income statement factor (or a melding of the two). But I feel that there should be some professional leeway here such that if a transactional area would or could have an impact upon an investors decision making (even if not traditionally considered "material"), there is scope for the auditor to consider it.*
- *I would consider something material if it had, has or is expected to have a 1% or greater impact on revenues, earnings, cash flows, assets, liabilities, or equity.*
- *I would support practical, quantitative measures based on different assessments. For net income, a percentage of net income and/or capital, for balance sheet, a percentage of capital or total assets, for cash flow statements, a measure based on cash/income, etc. I think exceptions should be made on a qualitative basis for certain situations, for instance, entities operating at a loss.*
- *Investment decisions may rely on information that is deemed immaterial so knowing what level the auditor used must be disclosed. The era of "trust me" is over.*
- *It is material if it would affect a user's investment decision. Quantitative measures should be a guideline but just because something breaks that threshold does not make it material.*
- *Materiality could differ from case to case and enterprise to enterprise and from audit firm to audit firm. As a result materiality can be a rather subjective concept. Therefore it is important that the auditors disclose what they regard as material and not material i.e. is a potential 2% variation in the figures, 5% or 10% material.*
- *Materiality disclosure could contain both qualitative and quantitative aspects. i.e. sample data surveyed being more than 2-3% different than management's representation in more than one instance, where multiple instances might signal misleading reporting.*
- *Materiality should be based on what would be significant for a reasonable person to change his decision on investing, lending, or otherwise transacting with the entity. It should be based on certain metrics or*

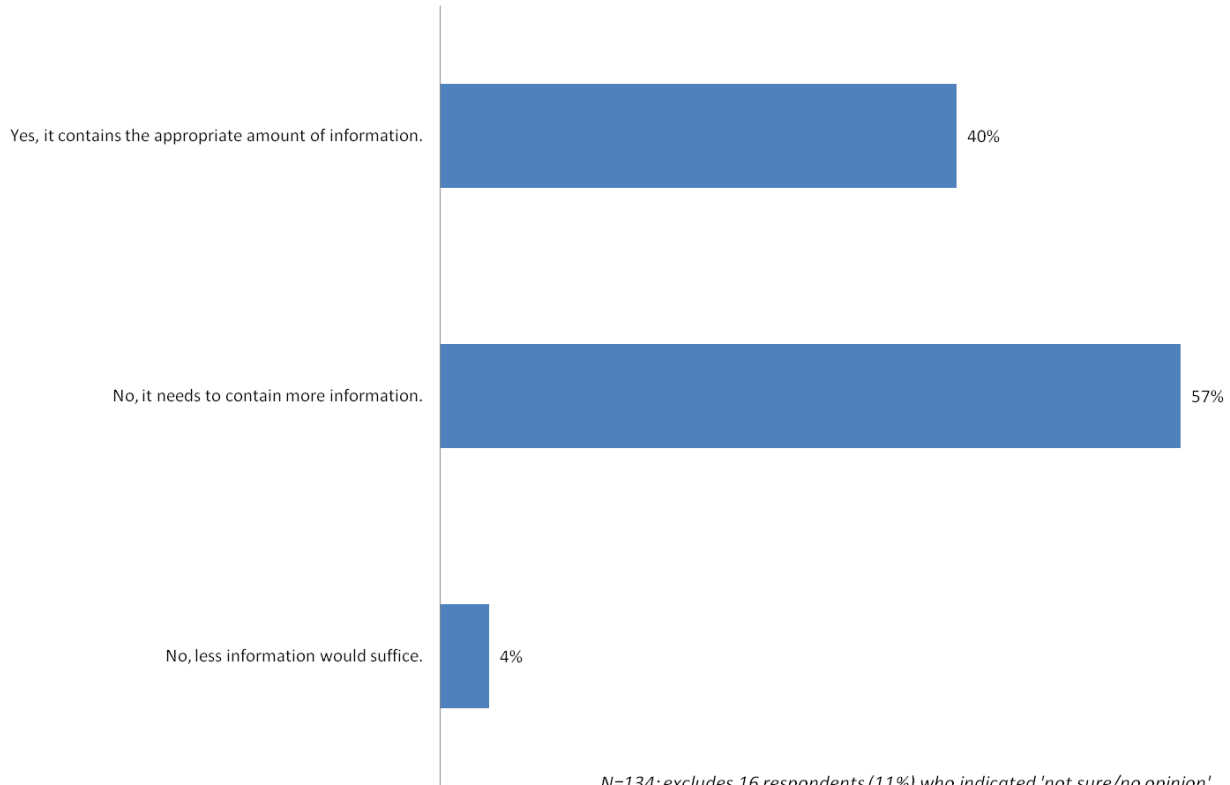
parameters of the entity depending on industry, nature and circumstance, e.g., assets for an investment management entity, net profit for a profitable trading entity, total expenses for a cost-plus setup and revenue for an entity at break-even or loss-incurring.

- *Materiality should be quantity with an objective yardstick to follow. Otherwise, one auditor may think 5% impact on profit is not material and need not adjust and another auditor may think 3% impact on profit is material and need to be disclosed. A common objective yardstick is very important.*
- *Qualitative measure is the overall management culture and risk concentration in any sectors.*
- *Qualitative measures weigh more than quantitative measures. Natures of discrepancies can show whether companies are following accepted accounting principles. Quantitative is only relevant where it is related to a human error, not fraud. Qualitative measures can bring out frauds or deliberate misrepresentations.*
- *Qualitative: An amount that would lead a user of financial statements to make a different decision than they would otherwise make. Quantitative: Percentage of either revenues, financial statement line, net income or total assets as appropriate. As a rule of thumb 5%.*
- *Qualitative: All situations of potential fraud are material, regardless of the amount. Also, if there is a material weakness in internal control regarding a cycle, further testing is requested regardless of materiality. Quantitative: If the error/omission/misstatement can impact the opinion of somebody relying on the financials.*
- *The "reasonable person" standard...would the item impact the judgment/actions of a reasonable person? If so, it is material.*
- *Value or cash flow at risk rather than just nominative amounts with no risk adjustment. This would convey that values change based on economic uncertainty whereas currently historical balance sheet amounts are used which fail to convey the dynamic aspect of corporate risk.*

Information on the Audited Entity

40 percent believe the auditor’s report contains the appropriate amount of information on the audited entity, while 57 percent think it needs to contain more information.

Do you think the auditor's report contains the appropriate amount of information on the audited entity?



N=134; excludes 16 respondents (11%) who indicated 'not sure/no opinion'

Comments

Yes, it contains the appropriate amount of information:

- *The reader cannot know everything he/she needs to know about the entity from reading one document within the annual report. It's incumbent on the reader to be sufficiently familiar with the nature of the entity's business/risks/performance through reading the annual report/interim financials/press releases from the company and so on.*
- *The report in conjunction with the financials and the notes has sufficient information.*

No, it needs to contain more information:

- *Generally, I prefer less boiler plate information and more entity-specific information.*
- *I have found that management financial statements are generally much more detailed than audited financial statements and that it is very difficult to properly understand a company without the management financials, which are not audited.*
- *More details on the management culture and internal control framework are useful.*
- *Probably a short report on corporate governance, and if there have changes in key employees.*
- *Relations to unconsolidated companies, that are either controlled or financially dependent (i.e. guarantees for SPVs) are often not disclosed despite significant impact*

No, less information would suffice:

- *Details n 10k provide adequate information.*

Not sure/no opinion:

- *Too much legal disclaimer nonsense, not enough actual audit information.*
- *Whether the audit report contains enough information is to my mind a function of the complexity and size of the enterprise one is dealing with. A small privately owned company without subsidiaries that solely operates in one location would require less commentary than for example Citibank that is a global giant that operates in a multitude of jurisdictions.*

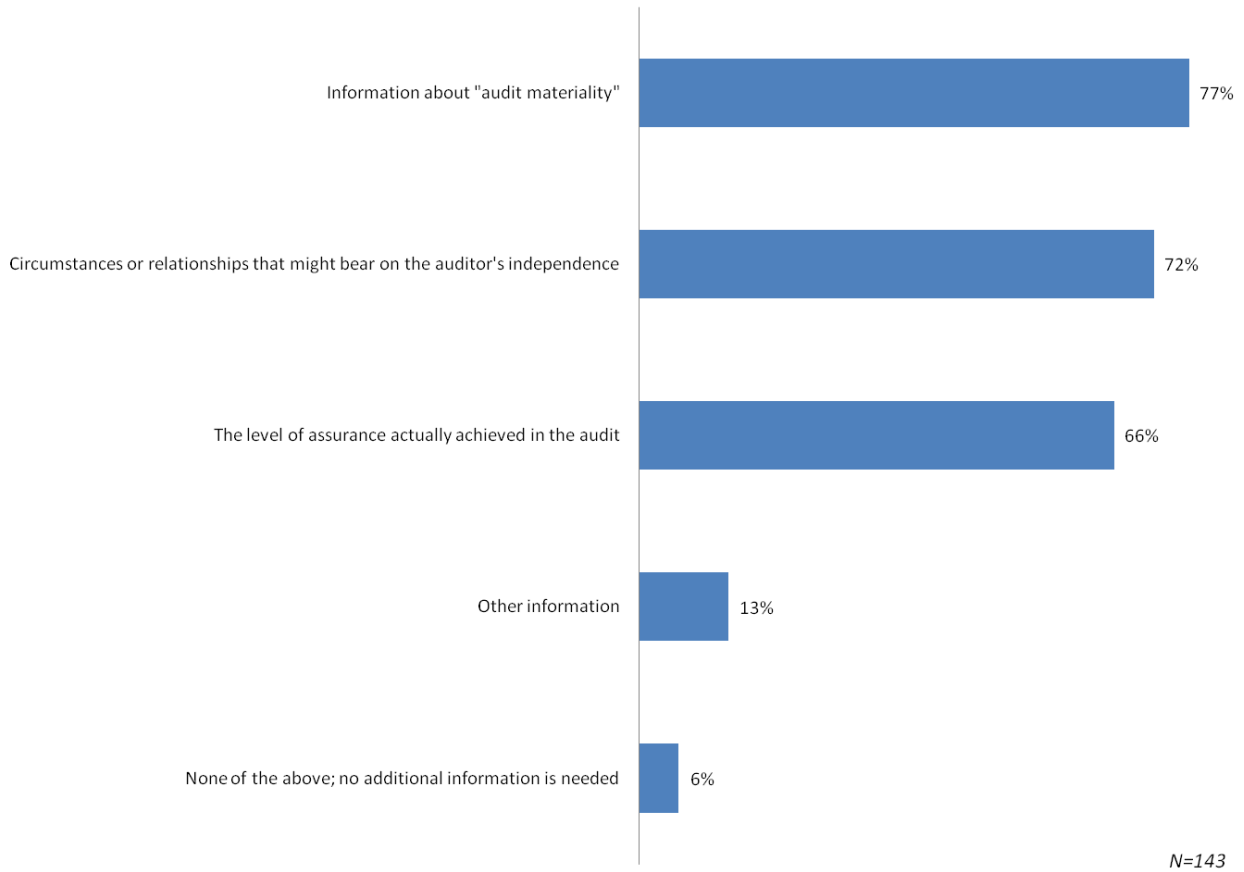
Additional information on the audited entity that might be considered useful (and how it would assist users) includes:

- *Adequacy of risk management - would help users to assess the riskiness of the entity.*
- *All off-balance sheet assets and liabilities need to be detailed. Anywhere that fair value is used and marks are available, also provide market values.*
- *An analysis of items where significant judgment was used, and the auditor's assessment of why this judgment appeared reasonable.*
- *Description of what the auditors view as the principal business of the audited entity and the business risk areas as identified by the auditors and not the management.*
- *Point estimates are only as good as the assumptions underlying them. As noted previously, a range of values or some indication of the confidence interval would assist the user in understanding the potential variation from the point estimate presented. Goodwill impairment is also somewhat convoluted in that one way to test if a reporting unit is impaired is to compare it to its market value. If its market value exceeds its carrying value then generally the conclusion is that there is no impairment. This overlooks the possibility that the market is insufficiently informed and is otherwise overvaluing an impaired reporting unit. The inverse also applies - if the market value is less than the carrying value, the conclusion is generally that it is impaired regardless of the forecasted cash flows and income approach indication.*
- *Summarize the primary points made in the confidential letter to management. Indicate the degree of management cooperation/friction between auditor and management in preparing the audit.*

Additional Information in the Auditor’s Report

94 percent of respondents would like to see additional information in the auditor’s report, with 77 percent wanting information about “audit materiality,” 72 percent wanting information on circumstances or relationships that might bear on the auditor’s independence, 66 percent wanting to see the level of assurance actually achieved in the audit, and 13 percent wanting to see other information.

What additional information, if any, would you like to see in the auditor's report?



The “other information” respondents would like to see is:

- *Assertion that the auditor is qualified and independent, scope of audit*
- *Auditor' experience*
- *Related party transactions*
- *Findings of fraud or other problems*
- *Audit hours spent*
- *Level of audit effort by specific area, account, geography, business unit, etc*
- *Matters of judgment where auditors differ from the client*
- *Opinion on the system of control and risk management*
- *Other audit firms that are involved with the client - be it in subsidiary audits or on a consultative basis.*
- *Summary of audit adjustments not booked*
- *Testing performed, weakness in controls, corporate governance weaknesses*

- *Unusual assumptions and methods*

Additional Comments on the Auditor's Report

- *After the reforms of SOX with the implementation of similar legislation in many other jurisdictions, I would not currently consider external auditing as weak link. If there was a point to address it would be from my perspective the qualification of the auditors themselves, who often seem to regard the whole task as a technical exercise related to financial reporting and seem to know/care to little about the economic fundamentals of the business to put their findings in the right context. A good point to start would be to diversify the technical expertise of audit teams.*
- *Audit has become more of a political process than an aide to reviewer understanding.*
- *Auditor has to deal with independence now. Some more definition around the concept of materiality may be useful.*
- *Besides information on materiality, the auditor's independence, I believe most of the auditors' reports do a good job of explaining the auditors' responsibility.*
- *Independent auditor's report could be influential in making decision on investment to several information-limited companies. At this point, the neutrality & independence would be very important to credibility & reliability about those papers.*
- *It's important to remember that the auditor's report is for the company's shareholders only and that external parties intending to rely on it will not be able to direct any blame in the auditor's direction should something go wrong. Maybe more explicit language to this effect is required in the independent auditors' report in some jurisdictions (Ireland already has such language arising from the Bannerman court case)*