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Enhanced auditor's report

Review of first year experience in Hong Kong

July 2017

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Contents

Foreword

The implementation of enhanced auditor reporting standards in the past reporting season this year is a huge milestone in the history of the audit profession in Hong Kong.

The new and revised auditor reporting standards have marked a move to reports that are more informative and insightful, in particular by introducing the requirements for auditors of listed entities to communicate with bespoke descriptions of matters that were of most significance to the audits, while retaining the binary "true and fair" opinion which is valued.

We believe that the more informative and insightful reports will demonstrate more visibly the value and relevance of our audits. We also believe that it is important to reflect on our own and others' experience and to listen to the feedback from users of the new reports, in order to maintain the momentum to enhance our reports continuously – which set the key objective of this review report.

Humphrey Choi

PwC China and Hong Kong
Assurance Leader

Background to the new and revised auditor reporting standards

Introduction

In January 2015, the International Auditing and Assurance Standards Board (IAASB) released a set of new and revised auditor reporting standards under the International Standards on Auditing (ISAs) that we believe are truly game-changing for stakeholders of financial statements and the audit profession.

In Hong Kong, the Hong Kong Institute of Certified Public Accountants (HKICPA) adopted the IAASB's auditor reporting standards and released the new and revised Hong Kong Standards on Auditing (HKSAs) on auditor reporting in August 2015, with the same effective date as the equivalent ISAs, i.e. for audits of financial statements for periods ending on or after 15 December 2016.

In China, the Chinese Institute of Certified Public Accountants (CICPA) also released the new and revised China Standards on Auditing (CSAs) on auditor reporting in December 2016. These standards are converged with the equivalent ISAs and they are implemented by phases depending on the types of entities.

We believe that the new and revised auditor reporting standards released by different standard setters share a common goal – to encourage auditor's reports to be more informative and insightful which ultimately will demonstrate value and relevance of audits, and help to build trust in audits and reported financial information.

Key changes to auditor's reports

Changes introduced to the auditor's reports centre around three key aims: insight, transparency and improved readability.

Insight

The most significant innovation of the new standards is the introduction of "Key Audit Matters" (KAM), which is a mandatory communication in the auditor's reports for the audits of general purpose financial statements of listed entities. This new section of auditor's reports will shed light on those matters that, in the auditor's judgment, were of the most significance in the audit of the financial statements of the current period. While KAM will not supplant the auditor's opinion on the financial statements as a whole, it expands the report by asking auditors to describe what matters were significant, why they were significant, and how the audit addressed them.

Transparency

To enhance transparency, the new standards introduce an explicit statement regarding the auditor's independence in all audit reports and require engagement partner's name to be identified in the audit reports for listed entities. There is also a new requirement for auditors to report their work regarding "Other Information" of the annual report, highlighting what other information were received prior to the auditor's report date and whether there is any material inconsistency with the financial statements and the auditor's knowledge of the entity obtained in the audit.

Readability

The new auditor's report has been restructured to put audit and entity-specific information at the beginning of the report – in particular, putting the audit opinion first. Standardised wording in the report is placed towards the end of the report – for example, the description of auditor's responsibilities is placed in the last section of the report.

Going concern is also given more visibility in the auditor's reports. Both management's and auditor's responsibilities regarding going concern will be described in the new reports. When there is a material uncertainty about the entity's ability to continue as a going concern, this will be highlighted in a separate, clearly identified section of the report. Even when the auditor concludes that there is not a material uncertainty, one or more matters arising from the auditor's work in arriving at that conclusion could be considered and communicated as a KAM.

For an overview of content in the new reporting model, refer to the Appendix.

Market survey of first year experience

Introduction of the market survey

Our survey was conducted using the auditor's reports of 1,453[1] listed entities listed on the Hong Kong Stock Exchange which have published their annual reports during the period between February and May 2017 and whose audits were conducted under ISAs, HKSAs or CSAs. This population encompassed listed entities from a wide range of industry sectors. It also includes 45 listed funds and 94 entities with dual listing in Hong Kong's and mainland China's stock markets. As part of our survey, we also interviewed a number of individuals from the investor community to collect their feedback on the enhanced reports.

Analysis of scope by industries

In Diagram 1, we analysed the listed entities (classified as "HSI" or Hang Seng Index constituent companies and "Others") under our survey by industry sector.

Diagram 1: Scope of our survey by industry

Industry	Number of entities		Total	
	HSI	Others	Number of entities	% of number of entities
Automobiles and Parts	1	37	38	2%
Banks	7	19	26	2%
Basic Resources	1	84	85	6%
Chemicals	-	32	32	2%
Construction and Materials	-	73	73	5%
Financial Services[2]	1	143	144	10%
Food and Beverage	2	56	58	4%
Health Care	-	68	68	4%
Industrial Goods and Services	4	232	236	16%
Insurance	2	9	11	1%
Media	-	43	43	3%
Oil and Gas	4	39	43	3%
Personal and Household Goods	1	155	156	11%
Real Estate	7	133	140	10%
Retail	-	66	66	5%
Technology	1	123	124	9%
Telecommuni-cations	2	8	10	1%
Travel and Leisure	4	59	63	4%
Utilities	5	32	37	2%
Total	**42**	**1,411**	**1,453**	**100%**

[1] For purposes of our analysis, auditor's reports with disclaimer of opinion were excluded from our scope.

[2] Within the "Financial Services" sector, there are 45 listed funds surveyed.

Identification of Key Audit Matters (KAM)

The identification of Key Audit Matters (KAM) for reporting starts with the auditor's communications with those charged with governance (TCWG).

From the matters communicated with TCWG, the auditor determines the matters that required significant auditor attention by considering the following:

- Areas of higher risks of material misstatement or significant risks.
- Areas requiring significant auditor and management judgment.
- The effect on the audit of significant events or transactions that occurred during the year.

From the matters that required significant auditor attention, the auditor further determines which matters were of the most significance in the audit of the financial statements of the current period and therefore are KAM to be communicated in the auditor's report.

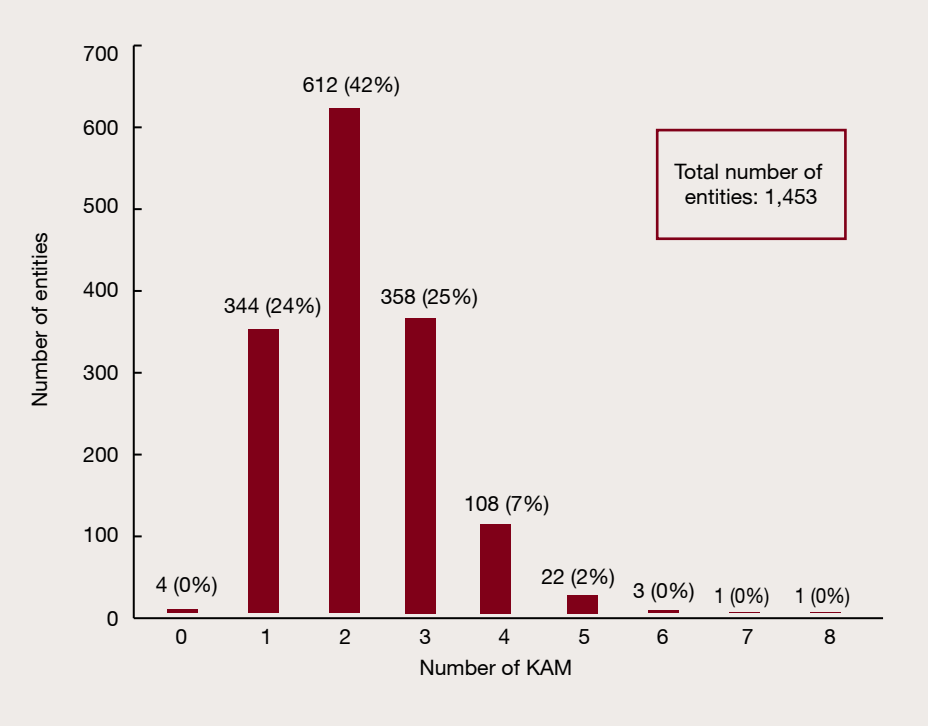
Accordingly, the selection of KAM requires the auditor to make multi-steps judgment to determine which, and how many of, KAM to be included in the auditor's report based on individual facts and circumstances of each audit.

Overview of number of KAM reported

Diagram 2 sets out the number of KAM included in respective auditor's reports under survey.

Over 90% of the auditor's reports included 1 to 3 KAM – ranking in order as 42% with 2 KAM, 25% with 3 KAM, 24% with 1 KAM and the rest of 9% varied from none to 8 KAM.

Diagram 2: Number of KAM



Analysis of KAM by industries

Diagrams 3A, 3B and 3C set out the total and average number of KAM reported on listed entities in different industry sectors, highlighting the highest and lowest numbers of KAM reported.

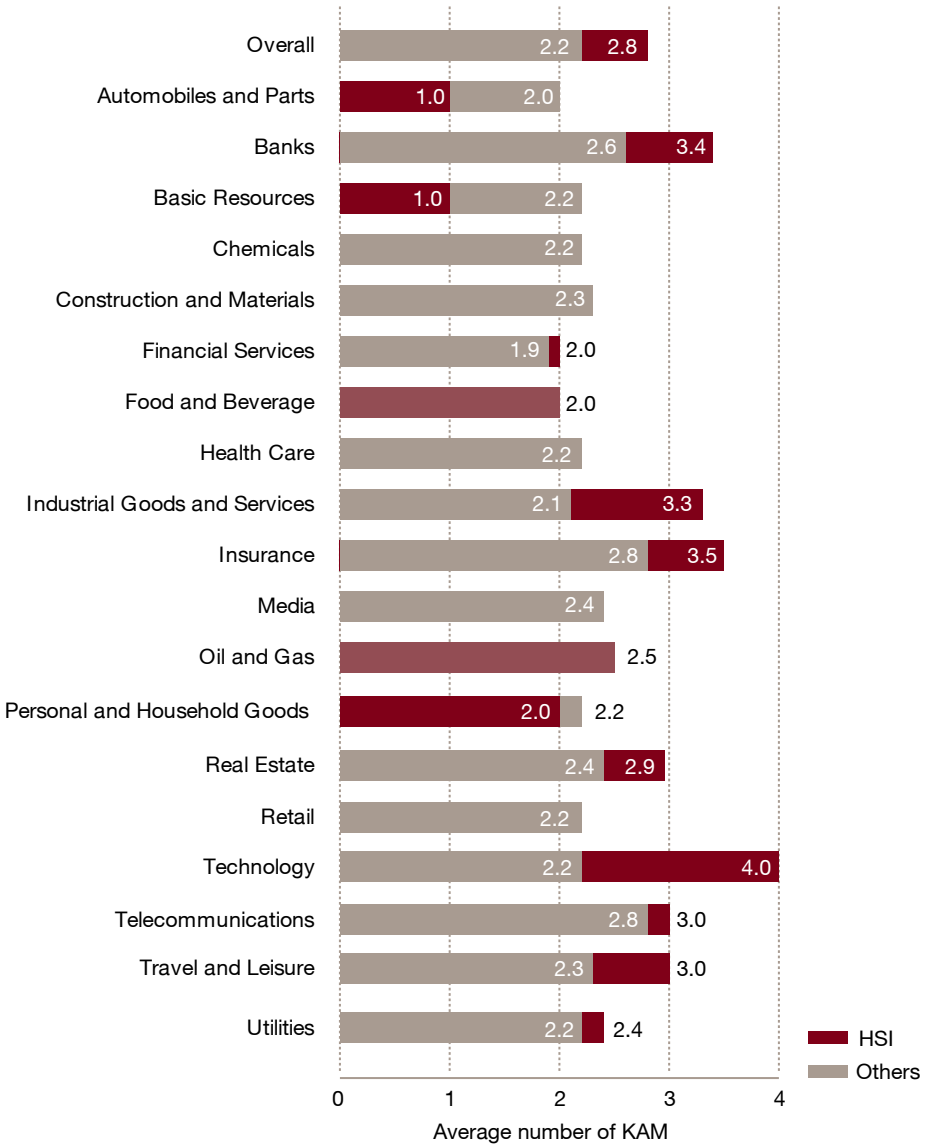
Diagram 3A: Number of KAM by industry

Industry	HSI		Others		Total	
	Total number of KAM	Average number of KAM	Total number of KAM	Average number of KAM	Total number of KAM	Average number of KAM
Automobiles and Parts	1	1.0	73	2.0	74	1.9
Banks	24	3.4	50	2.6	74	2.8
Basic Resources	1	1.0	186	2.2	187	2.2
Chemicals	-	N/A	71	2.2	71	2.2
Construction and Materials	-	N/A	167	2.3	167	2.3
Financial Services	2	2.0	272	1.9	274	1.9
Food and Beverage	4	2.0	113	2.0	117	2.0
Health Care	-	N/A	149	2.2	149	2.2
Industrial Goods and Services	13	3.3	494	2.1	507	2.1
Insurance	7	3.5	25	2.8	32	2.9
Media	-	N/A	105	2.4	105	2.4
Oil and Gas	10	2.5	97	2.5	107	2.5
Personal and Household Goods	2	2.0	346	2.2	348	2.2
Real Estate	20	2.9	313	2.4	333	2.4
Retail	-	N/A	146	2.2	146	2.2
Technology	4	4.0	266	2.2	270	2.2
Telecommunications	6	3.0	22	2.8	28	2.8
Travel and Leisure	12	3.0	135	2.3	147	2.3
Utilities	12	2.4	69	2.2	81	2.2
Total	**118**	**2.8**	**3,099**	**2.2**	**3,217**	**2.2**

Analysis of KAM by industries (continued)

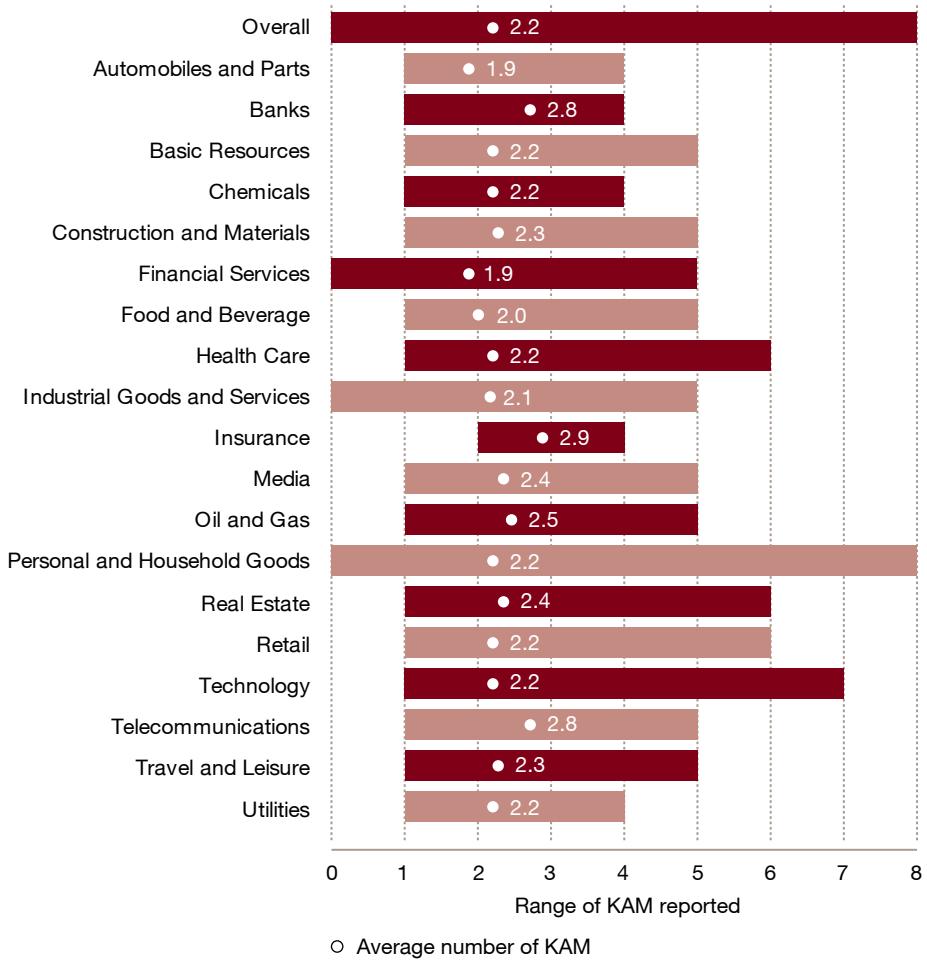
It is noted that, on average, there are more KAM reported for HSI constituent companies (2.8 KAM per entity) than for other companies (2.2 KAM per entity) across almost all of the different industry sectors except for Automobiles and Parts, Basic Resources, and Personal and Household Goods sectors, which may due to the fact that there is only 1 HSI constituent company in each of such sectors so the result may not be directly comparable with other sectors in this regard. The general higher average number of KAM for HSI constituent companies probably reflects differences in the average size and complexity of larger companies compared to other companies.

Diagram 3B: Average number of KAM reported on HSI and other companies



Analysis of KAM by industries (continued)

Diagram 3C: Range and average number of KAM by industry



Another interesting finding from the above is that companies operating in the same industry sector may not always result in a similar number of KAM reported by the auditors. Within the Personal and Household Goods sector, there are companies having a high end of 8 KAM and a low end of none KAM respectively.

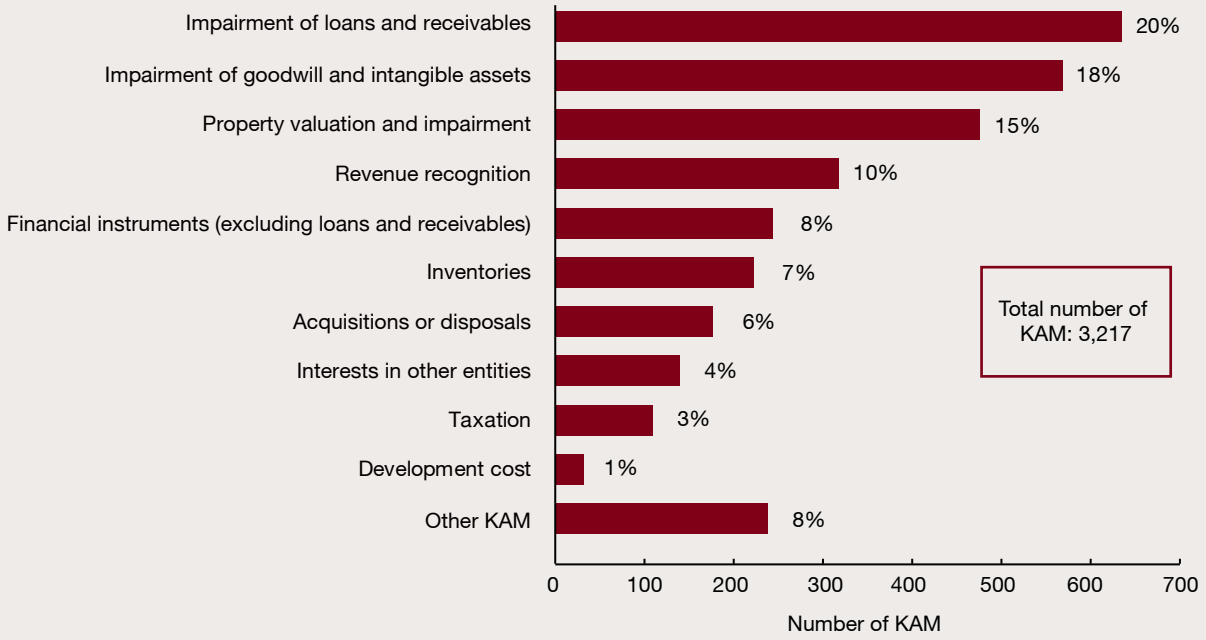
Some may question about the wide range in the number of KAM reported for companies in the same industry sector due to the expectation that those companies would have experienced similar industry issues and challenges.

On the other hand, this range may also demonstrate that the auditors were exercising their own professional judgment in performing the audits – professional judgment are required throughout the audit in various respects including, among others, risk assessment, development of audit strategy and approach, as well as determining and communicating KAM. Accordingly, it is possible that companies from the same industry sector sharing the same industry risks could have very different number or type of KAM reported by the auditors. All these are positive signs that the auditors were producing entity-specific rather than boilerplate audit reports – which is what enhanced auditor reporting is aiming for.

Analysis of KAM by nature

Diagram 4 sets out the frequency of matters reported by nature as KAM in different listed entities' audit reports.

Diagram 4: KAM by nature



The ten most common topics of KAM constituted 92% of the total number of KAM under survey. Impairment of loans and receivables and Impairment of goodwill and intangible assets altogether represent 38% of the KAM reported. It may not be too surprising to see impairment to be the "hottest" topic under significant attention of the auditors due to the judgmental nature of the matter which requires management to exercise various judgments and estimates about future events and conditions that are inherently uncertain, and therefore it is necessary for the auditors not only to obtain corroborative evidence on management's assessment but also exercise sufficient appropriate professional scepticism to challenge their assessment.

As noted from the diagram above, these common topics are mostly related to a specific assertion or aspect of the related financial statement line items or transactions. The presumed significant risks under the auditing standards in relation to the risk of management override of controls and the risk of fraud in revenue recognition were not identified as KAM "by default" in every audit report merely due to the presumption of risks. Instead, we noted when "Revenue recognition" was reported as KAM, many of them were due to specific reasons such as complexity in the accounting treatment, use of significant estimates in determining the amount of revenue to be recognised, involvement of manual procedures to handle a large volume of transactions, etc., although some other KAM appeared to be more generically described the inherent risk of revenue recognition – overall more auditors were trying to provide bespoke rather than generic description based on our observations.

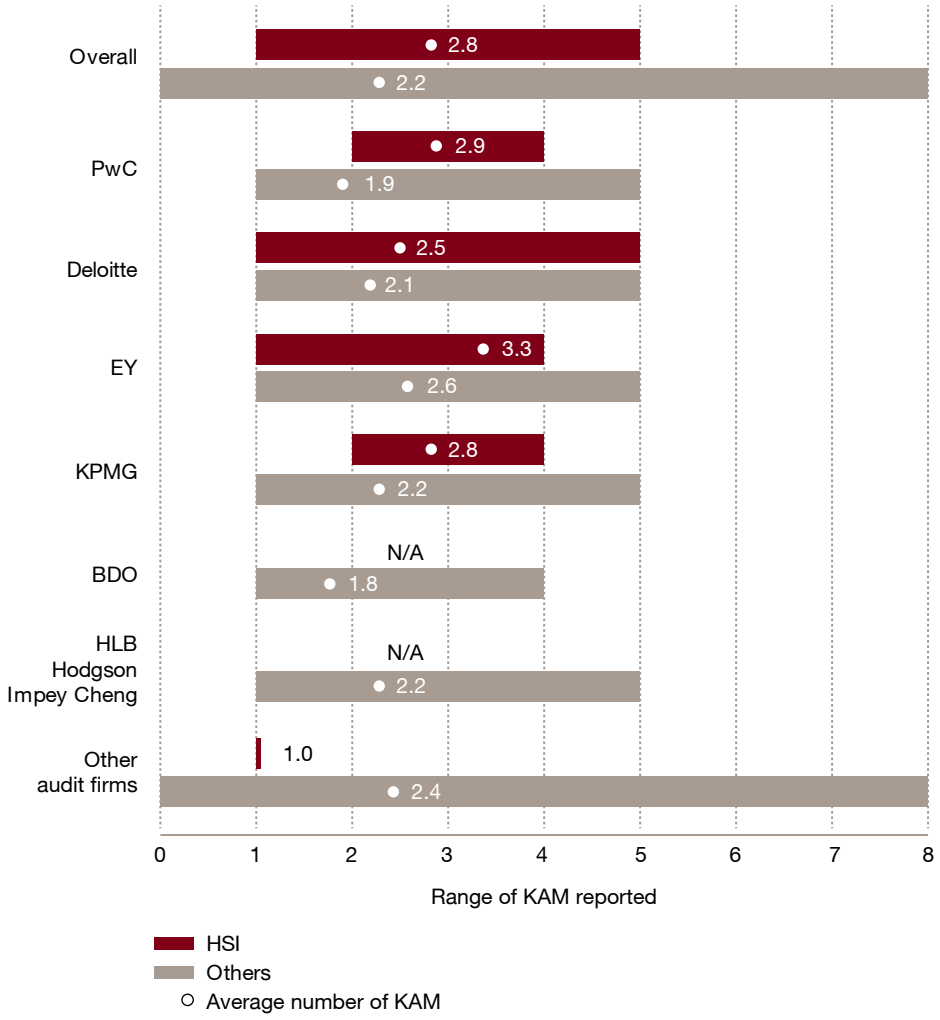
According to the overseas experience in the UK and Ireland which have adopted the enhanced auditing standards since 2013, many of their first year reports had included the presumed significant risks under the auditing standards as areas of focus (i.e. KAM) which were subsequently removed in the second year reports due to the criticism that the inclusion of presumed risks (unless they have the qualifying characteristics set out in the standards) did not reflect the real intent of the audit reporting reform.

In this regard, our practitioners in this region may have benefited from the lessons learnt in the other regions and been reminded the importance of communicating matters that should be more specifically identified for the reporting entities.

Analysis of KAM by audit firms

Diagram 5 analyses the range and average number of KAM reported by different audit firms in the market (listed in sequential order of number of listed entities audited by respective audit firms).

Diagram 5: Range and average number of KAM reported by audit firm on HSI and other companies



Consistent with the observation in Diagram 3B, it is noted that almost all audit firms reported more KAM on average for HSI constituent companies than for other companies which is likely due to the differences in the average size and complexity of larger companies' audits which gave rise to a greater number of matters determined to have the most significance to the auditors' work.

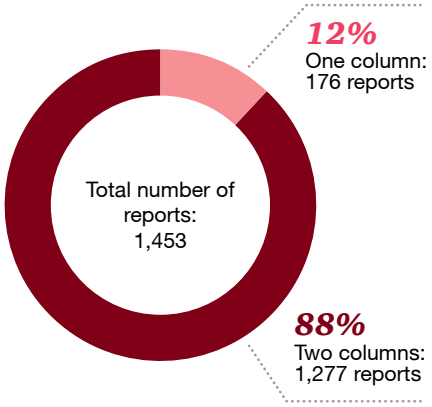
It is further noted that the six audit firms listed above (which audited 82% of the listed entities under survey) reported at least one KAM in every report that they issued, while some other firms would have reported none KAM – the survey result of having only a very small proportion (4 out of 1,453 listed entities) of auditors' reports with no KAM is consistent with the guidance in the auditing standards which suggests that it may be rare that the auditor of a complete set of general purpose financial statements of a listed entity would not determine at least one KAM from the matters communicated with TCWG for communication in the auditor's report except in certain limited circumstances.

Describing KAM

Presentation of KAM

The auditing standards require that the description of each KAM shall address two points: (a) why the matter was considered to be one of most significance in the audit and (b) how the matter was addressed in the audit. Diagram 6 summarises the two broad approaches adopted by all auditors when presenting the KAM.

Diagram 6: Presentation style of KAM



Majority of the auditors (88%) adopted a so called "two columns" approach when presenting the KAM.

The use of two columns means placing the description about "why a matter is a KAM" on the left hand side while the description about "how the audit addressed the KAM" on the right hand side in a tabular format within the "Key Audit Matters" section in an auditor's report. Some people may also describe it as "Question and Answer" approach.

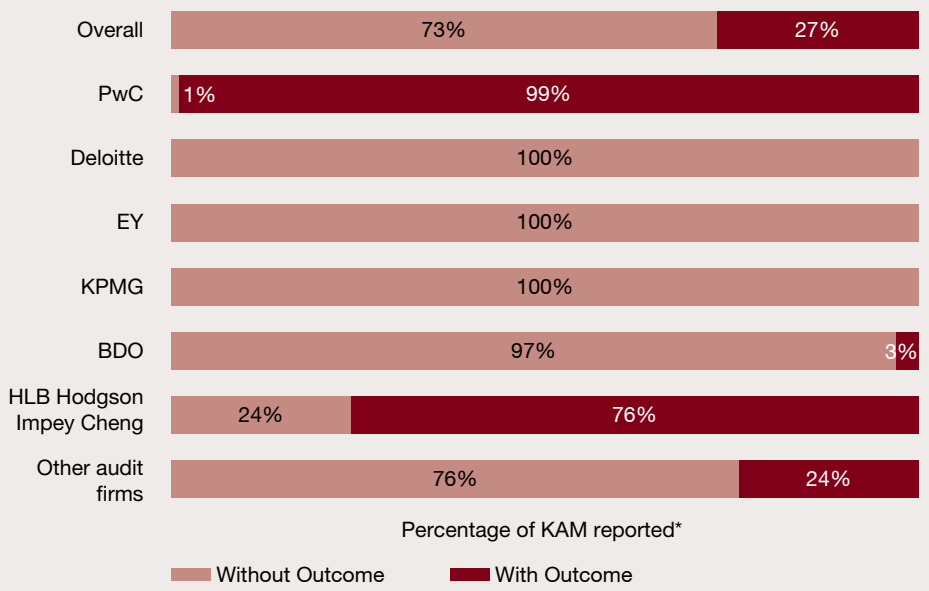
The two columns approach is commonly used probably due to the perceived effectiveness in enhancing readability and understandability of the KAM, in particular for those KAM with extensive level of details in the descriptions. By splitting the details into two separate columns, it would enable the readers to navigate through the details more easily, so that they could better understand the correlation between the "why" and "how" aspects in a KAM.

Having said that, the use of different approaches to present KAM is merely a tool to facilitate an effective communication to the users of the financial statements, the quality of the KAM would ultimately rest with whether the descriptions could clearly provide a genuine insight into the significance of the matters and the auditor's response thereon.

Description of Outcome

The auditing standards allow auditors to provide an indication of the outcome of the auditor's response (Outcome) in the description of KAM in the auditor's report. When this is done, care is needed to avoid the auditor giving the impression that the description is conveying a separate opinion on an individual KAM. Diagram 7 analyses the proportion of KAM including a description of Outcome under our survey.

Diagram 7: Approach to description of Outcome by audit firm



* Rounded to the nearest number.

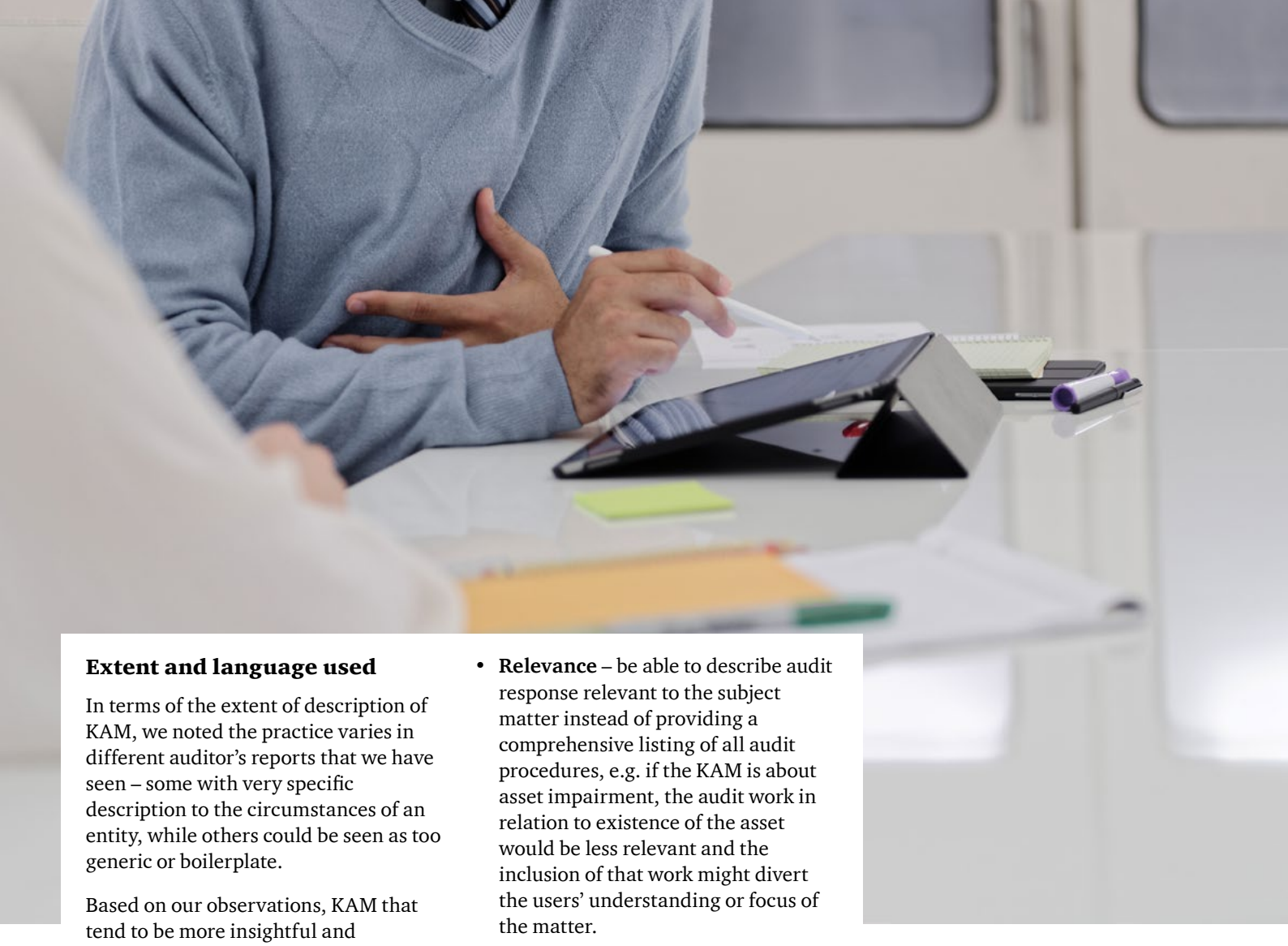
From the above statistics, it shows that there are two distinct schools of thought in the market. Over 70% of the KAM reported did not include a description of the Outcome potentially due to reservations that this approach may inappropriately convey or be seen to convey an opinion at the KAM level instead of at the financial statements level. On the other hand, almost all of PwC's reports included descriptions of Outcomes of the audit work in the KAM on the basis that such description may offer a greater level of insight as the audit partners are telling the whole story of the audit issue to the users of the financial statements; in order to overcome the challenge of creating an inappropriate impression of "mini-opinion" on the KAM, the language used by PwC for describing the Outcome was carefully crafted to avoid an opinion. HLB Hodgson Impey Cheng took a similar approach to PwC when determining whether to include Outcome description in their KAM or not.

The overall proportion of 27%:73% of the inclusion and non-inclusion of Outcome is fairly consistent with the enhanced auditor reporting experience in the UK and Ireland in the second year which showed a proportion of 20%:80%[3] – which indeed has changed quite substantially from 2%:98%[4] in their first year of implementation due to the strong ask from the users about adding more insight to the matters reported by the auditors, and one way to achieve this is to consider putting in the results of the auditor's work on those particular matters reported.

Whether there will be more (or less) audit firms adopting the inclusion of Outcome on a wider basis in the second year in the Hong Kong market would probably depend on the level of users' feedback (i.e. whether such disclosure is valued) and whether the reservations about the users' understanding or impression about such disclosure (i.e. inappropriately express an opinion on individual KAM) could be overcome.

[3] Source: "Extended auditor's reports, a further review of experience" issued by the Financial Reporting Council in the UK in January 2016.

[4] Source: "Extended auditor's reports, a review of experience in the first year" issued by the Financial Reporting Council in the UK in March 2015.



Extent and language used

In terms of the extent of description of KAM, we noted the practice varies in different auditor's reports that we have seen – some with very specific description to the circumstances of an entity, while others could be seen as too generic or boilerplate.

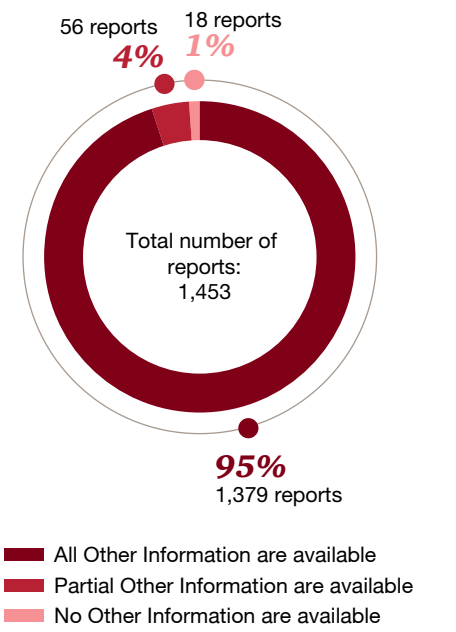
Based on our observations, KAM that tend to be more insightful and informative and easier to read usually have the following characteristics:

- **Specific** – be able to explain what the subject matter is (e.g. related to which financial statement line item, assertion, business unit or operation, location, etc.) and why the matter is a KAM with specificity (e.g. due to specific risks, complexity, judgment involved, financial significance, audit effort or a combination of these and other factors).
- **Concise** – be concise in describing the matter related to the entity, with proper use of reference to the entity's disclosures in the financial statements or other parts of the annual report for additional details.
- **Relevance** – be able to describe audit response relevant to the subject matter instead of providing a comprehensive listing of all audit procedures, e.g. if the KAM is about asset impairment, the audit work in relation to existence of the asset would be less relevant and the inclusion of that work might divert the users' understanding or focus of the matter.
- **Professional scepticism** – be able to explain how the auditor challenged management's work instead of agreeing management's outcome at all times without critical assessment and independent corroboration.
- **Use of experts and specialists** – when referring to the involvement of management's or auditor's experts and specialists, be able to explain the audit procedures on the work performed by others but not shifting or reducing the auditor's responsibility by using their work.
- **Use plain language** – avoid audit language or technical terminology so that the description is readily understandable to someone without extensive audit background.
- **Improved insight by including outcome** – the perceived value of inclusion of outcome in describing KAM is discussed separately in the previous section "Description of Outcome".

Reporting of Other Information

Under the new and revised auditing standards, auditors are required to read the other information included in the annual report (Other Information) and consider whether there is a material inconsistency between the Other Information and the financial statements or the auditor's knowledge obtained in the audit. The auditors are also required to report their work on Other Information that has been obtained prior to the auditor's report date under a separate section in the auditor's report. Diagram 8 sets out whether the listed entities under survey had provided all of the Other Information to the auditors as at the auditor's report date.

Diagram 8: Status of Other Information as at auditor's report date



In majority of the cases, the auditors had obtained all of the Other Information in the annual report prior to the auditor's report date and included in the auditor's report a description of the result of their work thereon.

The auditor's responsibilities relating to Other Information (other than applicable reporting responsibilities) apply regardless of whether the Other Information is obtained by the auditor prior to, or after, the auditor's report date, i.e. the auditors are still required to read and consider the Other Information of the annual report received after the auditor's report date and take appropriate action set out in the professional standards if they conclude that a material misstatement of the Other Information exists. Despite the above, it is believed that by having the auditor's description of the result of their work in the auditor's report covering all of the Other Information will enhance transparency of the underlying work effort of the auditor.

In order to achieve this transparency, the auditors may early communicate with management or those charged with governance about their expectation to obtain the final version of the entire annual report in a timely manner for completing the procedures required by the auditing standards before the auditor's report date, and explain to them the possible implications when the Other Information is obtained after the auditor's report date.

Dual listing companies in Hong Kong and mainland China

As introduced earlier, the new and revised CSAs on auditor reporting are implemented by stages for different types of entities – these standards are first effective for auditor's reports dated on or after 1 January 2017 for entities dually listed in mainland China and Hong Kong (A+H-shares companies) and entities listed in Hong Kong whose audits were conducted under CSAs. Our survey focused on the A+H-shares companies and there were 94 of them in total.

In the following analysis, we are trying to explore whether there are any differences in the KAM reported in the A-shares auditor's reports (prepared under CSAs) and H-shares auditor's reports (prepared under CSAs, HKSAs or ISAs) of the same entities.

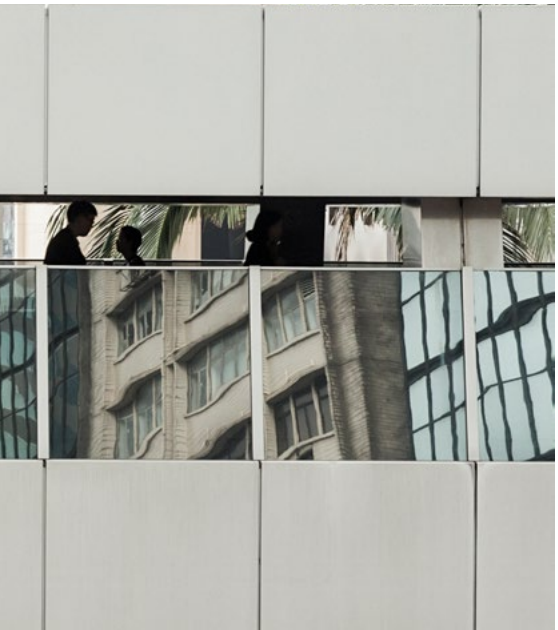
Diagram 9: Comparison of KAM reported for A-shares and H-shares reporting

	Number of entities	% of number of report
When same audit firms are used for both A-shares and H-shares reporting:		
Same KAM reported	81	96%
Different KAM reported	3	4%
Sub-total	84	100%
When different audit firms are used for the A-shares and H-shares reporting:		
Same KAM reported	8	80%
Different KAM reported	2	20%
Sub-total	10	100%
Total	**94**	

For these 94 A+H-shares companies under survey, 84 of them are audited by the same audit firms (or network of firms) and the remaining 10 companies are audited by different audit firms.

For those companies with the same auditors for their A-shares and H-shares reporting, there is a higher proportion of reports (96% vs 80%) that ended up with the same number and nature of KAM reported, while those with different KAM reported in the respective A-shares and H-shares auditor's reports were mainly due to the differences in accounting standards and financial reporting requirements applicable to the respective sets of financial statements.

For those companies using different auditors for their A-shares and H-shares reporting, there is an increased likelihood (20% vs 4%) that the two auditors' reports may not result in the same number and nature of KAM reported because the determination and communication of KAM are dependent on individual auditor's judgment. In other words, even if there is no substantive difference in accounting standards and financial reporting requirements applicable to the respective sets of financial statements of the same reporting entity, it is technically possible that the two auditors conducting the two audits for respective A-shares and H-shares reporting may conclude to have different KAM based on their own audit results. Such difference may however create some practical difficulty for users of both sets of financial statements to fully understand the rationale behind and might be an area that worths the profession and standard setters to consider whether further enhancement to the standard or application guidance is necessary.



Feedback from investors

As part of our survey, we also conducted interviews with some financial statement users from the investor community to collect feedback. Below are the key highlights of the common feedback:

- Overall, they were pleased to see the first year's enhanced auditor's reports which were more informative about the auditor's work as compared to the standardised reports in the old days.
- They recognised that the enhanced auditor's reports in the market varied in terms of the extent of description of KAM. In general, they would like to see more granular and yet concise commentaries specific to the reporting entities – which require the auditors to strike a good balance in writing them.
- They appreciated the auditors' attempt to make the "long form" auditor's reports easier to read by using various means (refer to examples on the right) and would like to see more innovations in the future:
  - Use of tabular format in describing KAM.
  - Use of sub-heading and bullet points in describing KAM or even in other standardised sections, such as describing the composition of financial statements in bullet points under the "Opinion" section and the auditor's independence with a sub-heading under the "Basis for Opinion" section.
  - Inclusion of percentage but not just monetary value of the subject matter discussed in KAM, e.g. X% of total assets, so that it is easier for the readers to understand the financial significance of the matter.
  - When quoting monetary values, consider to express the description in a more "readable" manner, e.g. HK$10 billion would be easier to read than HK$10,000,000,000.
- They liked to know the outcome of the audit work rather than just generic description of the procedures.
- Some interviewees preferred to have full details of the auditor's responsibilities included in the auditor's reports, instead of making reference to the standard setter's website (which might subject to updates from time to time) as allowed under HKSA 700 (Revised), Forming an Opinion and Reporting on Financial Statements, so that there is always a complete set of auditor's reports in one document. Some others did not have a strong view on this given such description of auditor's responsibilities should be standardised in all reports.

Feedback from investors (continued)

- In terms of the timeliness of getting the Other Information ready for the auditor's work, some interviewees expressed a preference that the reporting entities should try their best to provide all of the Other Information comprising the annual report to the auditors for their work prior to the auditor's report date in order to allow the reader to obtain a complete understanding of the result of the auditor's work from reading the auditor's report. Some others have an indifferent view on this timing because they understood that it is the auditor's responsibilities to read and consider the Other Information even if such information was provided after the auditor's report date.
- They also look forward to the profession's consideration of further enhancements beyond the existing requirements under the new and revised auditor reporting standards, for examples, consider the auditor's responsibilities over forward looking statements provided by the reporting entities about their future performance and development – is there anything that the auditor could do more other than the existing requirements to read and consider Other Information in the annual reports? Would the future standards require auditors to include a separate section to report their conclusions relating to going concern as required in some other territories?

A journey of continuous enhancements

Auditors have been required to issue standard reports for many decades.

Moving to an environment of bespoke auditor's reports is undoubtedly changing this long-established culture in the auditing profession. The implementation of the new and revised auditor reporting standards poses challenges to the auditors, and to management of the companies and those charged with governance to some degree because the preparation of auditor's reports could not be undertaken without their involvement. These challenges at the same time provide opportunities for the development of the audit profession so that auditors can provide greater insights into their work and improve the relevance of their audits to the benefit of companies and their stakeholders. Companies can also take the opportunity to enhance their financial statements disclosures and to stimulate dialogues with their stakeholders in particular on those matters that are considered significant by the auditors.

These challenges and opportunities may potentially last for a couple of years as the auditors try to further enhance the auditor's reports based on prior experience and consider necessary changes to (or reasons for not changing) the auditor's reports, including the determination and description of key audit matters year after year. Companies are also expected to continuously enhance their corporate governance and disclosures in the financial statements and in other parts of the annual report to meet the increasing expectations of their stakeholders. If companies and their auditors see no benefits in the new reporting model, or lose the momentum to innovate and change, there may be a risk that the new auditor's reports would become just longer reports with more boilerplate language over time. It is therefore important that auditors work closely with their clients and continuously embrace the challenges of the new reporting requirements, solicit and respond to feedback from the various stakeholders, and continue to strive to deliver informative and insightful auditor's reports to reflect the spirit of the auditor reporting reform.

Appendix

Overview of content of the new auditor reporting model

Below sets out the elements that shall be included, where applicable, in the enhanced auditor's reports under ISAs, HKSAs and CSAs:

Opinion	The audit opinion and identification of what's been audited will now be the first section of the report.
Basis for opinion	The "Basis for opinion" will directly follow the "Opinion" section and, in addition to referring to compliance with the auditing standards and referring to the auditor's responsibilities section, will now include the new assertion of the auditor's independence. If the audit opinion has been modified, the explanation would be here too.
Material uncertainty related to going concern (if any)	If there is a material uncertainty with respect to going concern, it will now be described in a separate section that identifies it as such.
Emphasis paragraphs (if any)	An "Emphasis of matter" paragraph may be next if, for example, it is relevant to understanding the financial reporting framework, or it might follow the key audit matters if it relates to a matter also addressed in that section.
Key audit matters	The new section providing insight into the key matters addressed in the audit will be required for audits of listed entities, but can also be included voluntarily by others.
Other matter paragraphs	The placement of an "Other matter" paragraph could be here if it relates to the financial statements audit only, or later in the report if it relates to other legal or regulatory requirements, or both.
Other information	A new section in the auditor's report will describe the auditor's responsibilities for "Other Information" (e.g. the rest of the annual report, including the management report) and the outcome of fulfilling those responsibilities.
Responsibilities for the financial statements	The description of management's responsibilities will be expanded to explain its responsibilities with respect to going concern. It will also now identify those charged with governance (if different from management).
Auditor's responsibilities	The description of the auditor's responsibilities under the revised auditing standards is now much more comprehensive and includes a description of the auditor's responsibilities with respect to going concern.
Date, address and signature	In addition to the signature, address and date, auditor's reports for listed entities will now also have to identify the engagement partner's name.

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