

# New Independent Auditor's Report on the Way!!!

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The hundreds, and in some cases thousands, of staff hours dedicated to an audit results in a single deliverable of captioned paragraphs, technical auditing phrases, and the all-important signature on firm letterhead. Of course I am referencing the independent auditor's report. No doubt your HeinfeldMeech engagement team provides a tremendous amount of value added services during the course of an audit in the form of advice, recommendations, best practices, and smiles. But, at the end of the day, our auditor's report is ultimately what we have been engaged to provide under the terms of the audit contract. And that deliverable is about to look and read a bit different this year.

Why the change? The auditing standards board goal for the change is to promote consistency and comparability in auditor's reports. While the foundation elements of the report are not significantly different, the form and content of the report will look quite a bit different. The following are a few highlights.

- The *Opinion* paragraph will now be the first paragraph of the report
- Language has been added to both the management and auditor responsibilities sections regarding the organization's ability to continue as a "going concern"
- A specific reference to the high risk of detecting material misstatements when there is fraud or override of internal control has been added
- A reminder that the auditor's responsibility to be independent of the organization will be included

The most significant change to the audit report is the addition of the *Key Audit Matters* section. It is important to note that the organization must specifically engage the

audit firm to include this section in the auditor's report; otherwise it will not be included in the report. If so engaged, this section will address, as applicable, areas of the high risk of material misstatement, areas involving significant judgments such as uncertain estimates, and the effect of significant events or transactions.

One additional effect of this change is the form and content of the engagement letter will be different to align with the changes to the related auditing standards to the auditor's report. While the effective date for this reporting change has been delayed due to the pandemic, HeinfeldMeech has elected to implement with the original implementation dates for audits with years ending December 31, 2020 and June 30, 2021.

So, keep an eye open for new and revised auditor's report in your next audit. If there are any questions from members of the management team or the governing body regarding the new report language, do not hesitate to reach out to the engagement partner of your audit.

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