

Critical Auditing Matters: Initial Findings from the Significant Change in the Auditor's Report

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ABSTRACT

Arguably, the most dramatic change to the auditor's report in decades, The PCAOB's Auditing Standard 3101 requires the auditor to communicate certain critical auditing matters to make the report more informative and relevant to investors and other financial statement users. This audit-specific communication contributes to the overall information mix that is provided to financial statement users. The communication of critical auditing matters will provide insights into what the auditor determined to be especially challenging, subjective, and complex. The new standard provides additional transparency in the audit opinion formulation process. This paper evaluates initial audit reports subject to this new requirement to identify patterns, trends, and observations that will be useful in assessing the impact of the standard to financial statement preparers, auditors, and other stakeholders.

Keywords: AS 3101, Critical Auditing Matters, Auditor's Report, Audit Opinion Usefulness, Auditor Judgment