



## EXPOSURE DRAFT: ISA 800 (REVISED) AND ISA 805 (REVISED)

ICAEW welcomes the opportunity to comment on the exposure draft *ISA 800 (Revised), Special considerations – audits of financial statements prepared in accordance with special purpose frameworks* and *ISA 805 (Revised), Special considerations – audits of single financial statements and specific elements, accounts or items of a financial statement* published by the International Auditing and Assurance Standards Board on 21 January 2015, a copy of which is available from this [link](#).

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## MAJOR POINTS

### Supportive of general approach to addressing the enhanced auditor reporting standards in proposed ISA 800 and ISA 805

1. In general, we are supportive of the IAASB's approach outlined in proposed ISA 800 (Revised) and ISA 805 (Revised) to addressing the enhanced auditor reporting standards. We agree that the communication of key audit matters in ISA 800 or 805 audit reports should be voluntary unless law or regulation requires this communication.
2. We agree that mandating the going concern provisions in ISA 570 (Revised) to special purpose engagements covered by proposed ISA 800 (Revised) and ISA 805 (Revised) is a sensible approach.
3. We consider that it might be helpful to include more illustrations to support the proposals in relation to including a reference in the proposed ISA 805 (Revised) audit report to KAM in the complete set of financial statements.

### Recommend conforming amendments to ISA 810 to take into account the enhancements resulting from the new and revised Auditor Reporting standards

4. We believe that the IAASB should consider making conforming amendments now to ISA 810 to take account of the enhancements resulting from the new and revised auditor reporting standards, alongside the proposed ISA 800 (Revised) and ISA 805 (Revised). We are aware of specific engagements where ISA 810 is used in the UK and so it would therefore seem logical to address the enhanced auditor reporting standards in ISA 810 now. We also believe that looking at this now would be helpful for those auditors who are engaged to report on summary financial statements.

## RESPONSES TO SPECIFIC QUESTIONS

**Q1: Whether respondents agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised) as explained in paragraphs 10 – 32 of this EM. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.**

5. Overall, we believe that this is a sensible approach to addressing the enhancements from the new and revised auditor reporting standards for special purpose financial statements.

**Q2: Whether the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805.**

6. While we believe that the proposed revised standards do include guidance to help auditors to apply the new and revised auditor reporting standards in the context of ISA 800 and ISA 805 engagements, we think that further illustrations in relation to proposed ISA 805 (Revised) and a reference to KAM in the complete set of financial statements might be helpful. Please see our response to question 3 b) below.

**Q3: In relation to KAM:**

- a) Do respondents agree with the IAASB's decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?
7. We agree that communication of key audit matters should be voluntary for all entities applying proposed ISA 800 (Revised) or ISA 805 (Revised) unless it is required by law or regulation.
    - b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB's proposed direction that reference to KAM that is communicated in the auditor's

report on the complete set of financial statements be permitted in the ISA 805 auditor's report using an OM paragraph and how this has been illustrated in the ISA (see paragraphs 25 – 32 above). In particular, the IAASB would also welcome respondents' views about:

- i. The usefulness of the guidance in paragraph A23 in proposed ISA 805 (Revised) and the appropriateness of Illustration 3 in Appendix 2 to assist auditors in determining how to make a reference in the ISA 805 auditor's report to KAM that are communicated in the auditor's report on the complete set of financial statements; and
  - ii. In light of views on (i) and the Board's deliberations summarized in paragraphs 25 – 32 above, whether it is necessary to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor's report either to promote consistent treatment in practice or expressly to prohibit certain approaches (e.g., a reference only to relevant KAM in the auditor's report on the complete set of financial statements or the possibility of repeating the full description of a KAM).
8. We do not consider it necessary to establish specific requirements relating to a reference to KAM in the auditor report on the complete set of financial statements in the ISA 805 audit report but as highlighted above, we consider that it might be helpful to have further illustrations or guidance on what is appropriate here. For instance, the proposals do not preclude the auditor from providing references to certain elements of the KAM in the complete set of financial statements and it would be helpful to have guidance as to what might be considered appropriate here.

**Q4. The IAASB would also welcome feedback on whether conforming amendments to extant ISA 810 are needed at this time and, if so, what approach could be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.**

9. We would query why conforming amendments to extant ISA 810 have not been addressed at this time. Despite its limited use in the UK, we are aware of instances where entities may be required to produce summary financial statements and would use ISA 810. It would, therefore, seem logical that the enhancements in relation to auditor reporting are addressed in this standard at this time too. A similar approach to that taken for proposed ISA 805 (Revised) in relation to a reference to KAM in the complete set of financial statements, with illustrations of how this would work, would appear appropriate here, alongside inclusion of KAM where regulation or law required.

#### **Comments on the general matters identified in the Exposure Draft**

10. We have no additional comments to make on the general matters outlined in the exposure draft in relation to preparers, developing nations and translations.
11. We agree that the effective date should be aligned with the effective date of the new and revised auditor reporting standards.