Proposed International Standards on Auditing

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

Proposed Conforming Amendment to Another ISA

Question 1

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.

Comments to Question 1

Agreeable to the enhancements resulting from the new and revised Auditor Reporting Standards which have been adequately addressed in the ISA 800 (Revised) and ISA 805 (Revised).

However, we do not agree on the proposal to leave it up to the auditors to decide to communicate Key Audit Matters (KAM) on a voluntary basis. This may lead to misuse of the Standards and may give room to lack of transparency. In a situation of long term relationship between auditor and clients, there may be possibility of collusion to hide useful information.

As such, KAM should be imposed since users (both present and prospective) need to be kept informed of critical matters prevailing in the entity when a full set of financial statements was issued. Furthermore, we would like to propose that there should be a standard format with key points required to be disclosed as a minimum to avoid inconsistencies in the way Key Audit Matters are communicated.
Question 2

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 engagements.

Comments to Question 2

The revised standards do include guidance to help auditors to apply the new and revised Auditor Reporting standards.

However, no guidance is given in a situation where the auditor of specific elements reporting under ISA 805 is not the same auditor of the entity.

Further illustrations in relation to proposed ISA 805 (Revised) and a reference to KAM in the complete set of financial statements will be helpful.

Question 3

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?

(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 prohibit certain approaches (e.g., a reference only to relevant KAM in the auditor’s report on the complete set
Comments to Question 3

Disclosure of KAM should be compulsory, and all the relevant matters which are still not attended by the entity have to be reproduced in the new reports or under “other matter” paragraph in the auditor’s report.

It might be helpful to have further illustrations or guidance on what is appropriate here. For instance the proposals does not preclude the auditor from providing references to certain elements of the KAM in the complete set of financial statements and it might be helpful to have guidance as to what might be considered appropriate here.

Question 4

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.

Comments to Question 4

It would be appropriate that conforming amendments to ISA 810 towards enhancement in relation to Auditor Reporting should be addressed at the same time. The consequential amendments arising from the revised Standards need to be incorporated in ISA 810 in a succinct way for the sake of consistency and harmonisation within all ISA at any given point in time.

A similar approach the 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 is required. This will be helpful for auditors who are engaged to report on summary financial statements.

The effective date should be aligned with the effective date of the new and revised Auditor Reporting standards.